



# ***JPRS Report***

## **Soviet Union**

### ***Economic Affairs***

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# Soviet Union

## Economic Affairs

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19 DECEMBER 1991

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## ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

### Immediate Measures for Stimulating Entrepreneurship Proposed

924A0291A Moscow PRAVITELSTVENNYY VESTNIK  
in Russian No 47, Nov 91 pp 6-7

[Regulation No 104r dated 1 November 1991 of the Committee for Operational Management of the USSR National Economy]

[Text] The Committee for Operational Management of the USSR National Economy adopted the regulation No 104r dated 1 November 1991. For the purpose of practical support for entrepreneurship and strengthening the positive effect of private initiative on overcoming the crisis, it was proposed that bodies of power and management of sovereign states examine and realize the recommended package of measures with due regard for the specific nature of regions.

### Urgent Top-Priority Measures Recommended for the Purpose of Creation of Favorable Conditions for the Development of Private Initiative and Entrepreneurship

Proceeding from the fact that private property, freedom of entrepreneurship, and competition are the basis for the advance of the economy, the creation of favorable conditions for an accelerated development of private initiative and entrepreneurship is the primary task.

For this it is necessary in the shortest period to develop and realize a set of legal, economic, and organizational measures promoting the development of entrepreneurship in a civilized form and in directions that republics will consider priority ones, especially in national economic sectors on which people's life support depends.

For the purpose of forming favorable and equal conditions for entrepreneurial activity, the Committee for Operational Management of the USSR National Economy considers it advisable to propose that legislative and executive bodies adopt legal acts and implement a number of urgent measures promoting the development of initiative and entrepreneurial activity.

During the preparation of such acts the Committee for Operational Management of the USSR National Economy, proceeding from the basic provisions of the Treaty on Economic Community in the area of entrepreneurship, proposes that guidance be taken from the following basic provisions in appropriate areas.

#### I. General Principles of Entrepreneurial Activity

1. The state maximally limits its interference in entrepreneurial activity.

State interference in the entrepreneurial activity of legal and physical entities is permitted only on the basis of legislation and, as a rule, is limited only to the following matters pertaining to the exclusive competence of the

state: observance of legality, defense and security of society, security and health of citizens, tax, price, and antimonopoly regulation, granting of social guarantees, and observance of ecological, sanitary, and fire-prevention norms.

Owners of private enterprises are granted the right to independently solve problems concerning price formation, the quantity and list of produced products, forms and methods of their sale, the choice of partners, the hiring and dismissal of workers, and the structure and types of financial and economic activity, including an independent solution of the problem concerning the utilization of the derived profit.

The dismissal of workers is carried out with the observance of social guarantees and on the basis of existing legislation.

In some cases provided for by legislation enterprises based on private property along with entrepreneurs—not legal entities—can be enlisted in work on the elimination of consequences of natural calamities, disasters, and other extraordinary situations.

2. If, as a result of the publication by a state or another body of an act exceeding its competence or not corresponding to the requirements of legislation, the rights of entrepreneurs are violated, they can appeal to the court to declare such an act invalid.

Losses incurred by entrepreneurs as a result of prohibitions and other wrongful acts of state and other bodies and their officials are compensated for by the latter fully, including the loss of expected gain, if the wrongfulness of these actions is recognized by the court.

3. Member states of the Economic Community ensure the same legal regime of implementation of economic activity for the legal and physical entities of both their state and all other states, including matters concerning taxation, commodity exchange, observance of ecological requirements, and access to labor, material, financial, information, and natural resources.

4. The Economic Community and sovereign states take measures to observe the stability of adopted legislation in the area of entrepreneurship. A revision within 3 years of laws previously adopted in this area can be made only in case of a change in the economic or political situation, which could not be foreseen in advance. The impossibility of foreseeing it must be confirmed by the Constitutional Court.

5. For the purpose of eliminating existing restrictions in the area of entrepreneurship, it is recommended that legislative and executive bodies of states revise existing legislation within a minimally short time, having in mind the execution of this work in two stages. At the first stage normative acts not contradicting the development of private initiative and entrepreneurship should be

determined. At the second, all existing legal acts hindering the development of private initiative and entrepreneurship should be abolished.

Work on the revision and abolition of legislative acts should be carried out within no more than 2 months in order to ensure as of 1 January 1992 the establishment of the necessary legal base for an accelerated development of entrepreneurship and private initiative.

6. Proceeding from the fact that private property is as equal as other forms of property, it should be provided with similar protection against any encroachments. Taking into account that for many years private property, in fact, was prohibited and measures of punishment for encroachments on private property were lighter than measures of punishment for encroachments on state property, it is necessary to establish an efficient system of legal protection for private property. For this purpose it is necessary to introduce anew or to toughen existing measures of criminal and property responsibility for actions inflicting direct or indirect damage on entrepreneurship: misappropriation, extortion (racketeering), forcing the adoption of decisions not corresponding to the interests of entrepreneurs, and forced hiring of persons who do not take part in the labor activity of enterprises, or persons who in their professional qualities cannot be of benefit to enterprises.

To activate the work of law enforcement bodies in the direction of protection of private property against encroachments, including the establishment of special subdivisions by them.

7. Work on a permanent basis in state bodies of power and management with engagement in entrepreneurial activity is declared incompatible.

## II. Registration of Participants in Entrepreneurial Activity

8. All existing, established, and reorganized enterprises based on the principles of entrepreneurial activity are registered in a judicial or another body authorized for this.

9. Fees for the registration of established and reorganized enterprises based on principles of entrepreneurial activity are introduced. The rates of registration fees can be differentiated depending on the type of activity carried out by these enterprises. The sums of registration fees are included in local budget revenues.

10. The management of the state register of participants in entrepreneurial activity is entrusted to inspectorates.

11. The right to individual entrepreneurial activity without the formulation of the status of a legal entity is based on the acquisition of fixed-term securities sold by financial bodies at the place of this activity. The price of securities is set by legislative bodies of states.

12. Legislative bodies of member states of the Economic Community approve lists of types of activities subject to

licensing, which include types of activities presenting danger to people's life and health, as well as types of activities within the exclusive competence of states. The indicated lists are exhaustive and are not subject to expansion by local bodies of power. To consider an active participation of societies for the protection of consumers' rights in the preparation of these lists necessary.

13. Joint enterprises, enterprises with the participation of foreign capital, foreign firms, and their affiliates carrying out their activity on the territory of member states of the Economic Community are registered on the usual terms unless otherwise demanded by the foreign partner.

## III. Privatization

14. Privatization is allowed in all national economic sectors. Legislative bodies of member states of the Economic Community approve lists of facilities in state ownership not subject to privatization.

15. As a result of privatization the state loses the rights of possession, disposal, and use of facilities in state ownership and state bodies, the right to manage them.

16. Privatization is carried out in the form of acquisition by buyers of shares of state joint-stock companies and purchase of facilities in state ownership on the basis of a competition or at an auction.

When the labor collective of a state enterprise coordinates the enterprise privatization program with the property management body, privatization is carried out without a competition or an auction.

17. It is recommended that small trade, public dining, and domestic service enterprises, as well as enterprises in other national economic sectors, be privatized at symbolic prices with the announcement of competitive conditions.

18. During the privatization of state enterprises the remunerative form of transferring the right of ownership—with the granting of a broad spectrum of privileges, including reductions in the property value, deferred payments, issue of credits, and other types of privileges—is used primarily.

19. It is proposed that legislative bodies of member states of the Economic Community prepare and adopt laws on the acquisition of facilities in state ownership by citizens and legal entities (on privatization).

## IV. Finances and Banking Activity

20. All banks operating on the territory of member states of the Economic Community are granted the right to carry out the entire set of financial and credit operations, including currency operations and the opening of correspondent accounts in foreign banks. The state bears no

responsibility for all types of risk connected with the activity of banks and does not interfere in the work of banks.

21. Enterprises, irrespective of the forms of ownership (hereinafter called enterprises), have the right to a free acquisition and sale of currency funds on a contractual basis in all banks, as well as on currency exchanges.

Participants in auctions have equal rights.

22. Enterprises have the right to receive financing and credit in any commercial bank, as well as to open an unlimited number of accounts in them.

Banks bear responsibility for violating the norms and periods of performance of operations for servicing enterprises in the amount of the damage done, including the loss of expected gain. The responsibility of a bank is not transferred. In accordance with legislation the bank has the right to bring an action for exoneration.

23. Functions of state structures of management and control cannot be entrusted to banks.

24. An unimpeded receipt by owners of their funds in banks in any form acceptable to them (in cash, checks, promissory notes, and other instruments of payment, or by transfer)—on the first demand by the owner of funds—without a limitation of the amount within the funds available in accounts is guaranteed.

25. Settlements among banks are transferred to direct correspondent relations with a gradual abolition of the system of cash settlement centers of central (national state) banks.

26. For the purpose of an accelerated development of the money market the state provides incentives for the formation of commercial banks, money changing offices, and currency and financial exchanges.

The level of obligatory reserves of commercial banks in central (national state) banks should not exceed 10 percent of the attracted funds. A charge by central banks for reserves deposited in them by commercial banks is introduced.

27. Commercial banks are granted the right to enlist specialized subdivisions of the Ministry of Internal Affairs and private security and protection services in the protection of premises, property, and money depositories, as well as collection operations, or to establish their own similar services.

## V. Tax Policy

28. For the purpose of activating the development of entrepreneurship, it is recommended that legislative bodies of member states of the Economic Community search for the possibility of establishing for 1992-1994 a tax on the profit of enterprises in a minimally possible

amount, as a rule, not exceeding 25 percent of the profit. The profit assigned for production development is tax exempt.

At the same time, tax rates should be differentiated depending on types of activities. Tax and other privileges are established for enterprises, the activity of which is connected with the production of consumer goods and provision of services for the public, primarily with the production of consumer goods, medicines, drugs, and food products. Tax and other privileges (including tax credits) are granted primarily to beginning entrepreneurs.

29. In connection with the abolition of price control restrictions connected with the production profitability level are lifted. The amount of the wage and consumption fund is regulated on the basis of general agreements concluded among unions of entrepreneurs, trade unions, and governments, which specify the amount of minimum wages and solve problems concerning a wage increase in connection with an improvement in workers' skills and wage indexing, as well as other wage problems.

30. Legislative bodies of states establish the amount of the tax on the currency income of enterprises with due regard for USSR foreign debt payments.

31. For the purpose of accelerating the privatization process, the introduction of a tax on fixed and circulating capital at the rate of 1 percent of its value for state enterprises is recommended. The indicated tax is collected after the payment of the profit tax and is entered in the appropriate budget.

32. Withdrawal, in accordance with extrajudicial procedure, of funds from accounts of enterprises by bodies of state management and control (except for cases provided for by legislation) is declared inadmissible. In case enterprises do not agree with the actions of bodies of management and control, to which such a right is granted legally, they can appeal their decision in court. Courts must accept the indicated cases for examination on a priority basis.

The damage done to an enterprise by the wrongful acts of officials, including the loss of expected gain, is subject to compensation in a full volume.

## VI. Support for Entrepreneurship and Privileges for Its Participants

33. In addition to tax privileges, entrepreneurs can also be granted other privileges, in particular the transfer of land and real estate for long-term use on a gratuitous or preferential basis.

34. A state credit fund is established for support for small and medium-level entrepreneurship, which is placed in specialized commercial banks. Funds and credits are granted by these banks on exceptionally preferential terms.

## VII. Price Formation

35. The sale of all types of goods and services is made at free prices. The state regulates prices of basic types of raw materials, energy carriers, and a limited list of food products and rates of railroad transport, services, and communication, as well as on the basis of the need to pursue antimonopoly policy. The list of goods and services, the prices of which are regulated by the state, is determined in accordance with agreements concluded on the basis of the Treaty on the Economic Community.

## VIII. Trade and Commodity Exchange

36. Governments develop and implement specific measures of support for exchanges, brokerage offices, trade and intermediate firms, and information, transport, warehouse, and other enterprises forming the market infrastructure.

37. Any direct and hidden forms of restriction on freedom of trade by all executive bodies of power and by trade-union and public organizations are prohibited.

38. The granting of rights of residence, transport of goods, allocation of land, holding of auctions and fairs, and other actions within the competence of local bodies of power should not depend on any additional demands on entrepreneurs (unlawful payments, free granting of goods and services, and so forth). Criminal proceedings are instituted against officials guilty of such actions in accordance with legislation.

## IX. Foreign Economic Activity

39. The right to participate in foreign economic activity is granted to all enterprises. They are permitted to engage in export-import and other types of foreign economic operations.

40. The monopoly of any foreign trade enterprises, with the exception of export-import operations concerning products and raw materials for strategic purposes, precious metals, and other state assets, is abolished. State specialized foreign trade organizations are transformed into joint-stock companies.

41. All types of commodity exchange (barter) and compensatory transactions, with the exception of transactions concerning products indicated in point 40 of these recommendations, are permitted.

42. Export and import taxes, except for customs procedures and duties, which should be uniform on the entire territory of the Economic Community, are abolished for enterprises. Customs organizations are entrusted with statistical recording of all types of freight crossing the border in a certain direction in accordance with declarations submitted by participants in foreign economic operations.

43. Reexport operations, with the exception of the profit received by enterprises from these operations, are not taxed.

44. The licensing of the export and import of goods, with the exception of those indicated in point 40 of these recommendations, is revoked. Legislative bodies of member states of the Economic Community introduce restrictions on the export of energy carriers, food, individual types of furs, wood, sawn timber, rare-earth metals, drugs, or some other types of products.

45. Enterprises have the right to open their currency accounts in any bank throughout the world and to transfer them freely.

46. For the purpose of protecting customers' interests, insurance is introduced for all types of foreign economic activities, as well as for assets, property, deposits, transactions, and risk (including transport risk), which can be carried out in any insurance company throughout the world.

47. All enterprises are granted the right to independently solve problems of sending their specialists on missions abroad and of receiving passports in appropriate territorial visa and registration departments and entry visas to foreign countries directly in the embassies of these countries.

48. Enterprises are granted the right to freely invite foreign citizens to work as hired personnel on the basis of appropriate contracts and labor agreements with the granting of housing and other necessary guarantees by enterprises.

49. Complete freedom of entrepreneurship is granted to enterprises and organizations of foreign countries, including the sale of goods and services for rubles on the domestic market. Foreign legal entities and citizens are permitted to invest the earned ruble funds in the domestic economy. All restrictions on the opening of ruble and currency accounts on the territory of member states of the Economic Community by foreign firms are lifted.

## X. Reporting

50. The balance sheet is the basic document characterizing the results of economic activity of an enterprise. When checking the activity of an enterprise, the tax inspectorate bears responsibility for divulging a commercial secret. The damage due to divulging a commercial secret, including the loss of expected gain, can be compensated for on the basis of a court decision.

51. The income declaration filled out in accordance with the general procedure, which is submitted to the tax inspectorate, is the basic financial document for citizens engaged in entrepreneurial activity without the formulation of the status of a legal entity. For this purpose it is proposed that the development and introduction of an income declaration into practice be accelerated.

## XI. Policy

52. Entrepreneurs are permitted to give material, including financial, support to parties and political

movements protecting the interests of entrepreneurship in legislative bodies at all levels of power, as well as to participate with their funds in support for election campaigns of independent candidates. The indicated support is given in accordance with the procedure and in amounts established by legislation.

All types of support are given only through public funds, which regularly report on the financial results of their activity. Such donations are equated with charitable ones and are not taxed.

53. The activity of political organizations, parties, or movements is prohibited at all enterprises.

## **XII. Charitable Activity**

54. All types of charity, as well as the establishment and development of charitable funds based on ownership capital, are permitted and supported in every possible way. Legislative bodies of member states of the Economic Community prepare and adopt laws on charitable funds and charity.

55. Up to 20 percent of the citizens' personal income assigned for charitable purposes is tax exempt.

56. Charitable donations received from other countries in a monetary and material form and addressed to the enterprise are accepted by it for the balance sheet and are spent exclusively on the purposes indicated by the philanthropist. These donations are not taxed.

57. The profit of charitable funds received from economic activity and assigned for an increase in the ownership capital of a fund, or for an expansion of its activity, is not taxed.

## **XIII. Trade Unions in Entrepreneurial Structures**

58. The hired personnel of enterprises can establish trade-union structures within enterprises and carry out appropriate activities.

If, as a result of actions carried out on the initiative of a trade union, which are declared illegal in accordance with the established procedure, material damage is done to enterprises, the trade union compensates for it in a compulsory manner or by trial.

## **XIV. Criminal Legislation and Administrative Responsibility**

59. To recommend that legislative bodies of member states of the Economic Community revoke the articles of criminal codes prosecuting for the performance of entrepreneurial activity as incompatible with the market economy.

Currency operations and private entrepreneurial, trade, and intermediate activities are regulated on the basis of the norms of civil legislation.

60. It is proposed that all convicted economic managers and private entrepreneurs serving their sentences or

under investigation on the basis of the revoked articles of criminal codes in member states of the Economic Community stipulated in point 59 of these recommendations be released from custody before 1 January 1992 with their full rehabilitation and payment of compensations. Persons previously convicted in similar cases are rehabilitated in accordance with the same procedure. In this case compensations for persons convicted according to these articles, who died, are paid to their relatives. Lists of rehabilitated persons are published in the press.

61. The drafting of legislation on criminal entrepreneurship aimed at the extraction of profit from actions inflicting damage on society is considered advisable. Criminal and property responsibility for such entrepreneurship is established.

Entrepreneurs guiding the activity of enterprises, or entrepreneurs working on the basis of a contract, can be prohibited from engaging in entrepreneurship in accordance with the decision of judicial bodies if, as a result of their dishonest or incompetent actions, enterprises are declared insolvent (bankrupt) in accordance with the established procedure, as well as in cases of a repeated or gross violation of legislation and performance of activity, in which it is prohibited to engage, or of a license-requiring activity without such a permit. Lists of the indicated persons are published in the press.

It is proposed that legislative bodies of member states of the Economic Community accelerate the drafting and adoption of legislative acts on insolvency (bankruptcy).

## **Silayev on Economic Treaty Negotiations**

924A0266A Moscow *RABOCHAYA TRIBUNA*  
in Russian 30 Nov 91 pp 1-2

[Interview with Ivan Silayev by Aleksandr Krotkov; place and date not given: "Water Is Water, but Want Is Want"]

[Text] Moscow—Ivan Silayev on the economic team of the republics: Which are in front, which are pulling to the side?

When, finally, will the former Union republics, "tied" to one another in the single ruble "harness," cease pulling in different directions and move concertedly in one direction? It is impossible to expect the success of the reforms and the state's emergence from poverty without such harmony. The twenty or so documents, which it was contemplated adopting in development of the interrepublic economic agreement signed by the heads of seven republic-states more than a month ago now, were to have served as a signal that unity had been achieved. What is the fate of these documents? Why has nothing been heard of them? We put these questions to Ivan Silayev, chairman of the Interstate Economic Committee (IEC), who was in fact required to develop them.

[Silayev] All the documents are already prepared. Here they are in front of me, bound in one bulky volume. The

most important of them—on a banking union, the sharing of the currency debt, the coordination of price policy, the division of property and a regional development and social support fund—and also certain others (numbering eight altogether) will, I hope, be initialed by the heads of government by 10 December. They have already had their first reading in the IEC. There are criticisms, on which we are working. In a word, everything is taking its course.

As far, however, as the question as to why this has not been heard about is concerned, I would like to readdress this to you journalists.

[Krotkov] Yes, truly, journalists' attention has been concentrated of late on the program of reforms of the new Russian Government and the polemic of members of the Union State Council, and information on the work of the IEC has been pushed into the background. But, unfortunately, it is difficult at times from the presidents' political statements to put together a precise idea of the actual relationships among the leadership of the republics. After all, the leaders are forced, we will say, to work for an audience, to flirt with the electorate, and to play the diplomat with the opposition—in public all the more. So are they "fierce" with one another in their narrow group? You are in contact with them constantly. Please share your observations on this score.

[Silayev] There are two main observations. The mutual complaints and personal ambitions are, indeed, strong—this is not put on. And, the second: Were no one nudging some of our leaders, they would have come to an arrangement long since—regular personal communication has its effect.

I recall that in the first days of business of the Operational Committee for Management of the National Economy its meetings were reminiscent of squabbles between the deaf and the blind: No one wanted to listen to his opponent. Armenia and Azerbaijan distinguished themselves particularly here, exchanging only political statements, perhaps. But then we decided: That is enough, no politics! Only economics! And the blindness and deafness began to dissipate.

And it was not only personal ambitions which were the reason for the blindness, for that matter. Some leaders were ignorant of a mass of economic nuances in the relations of the countries in their charge. And there is still a long way to go—I myself only recently learned, for example, that Russia annually transfers to Kazakhstan 800 million cubic meters of water, the value of which is equal to that of 800,000 tons of grain! But it does not take from its neighbor one penny for this.

I am ashamed, of course, of such ignorance of mine. But, on the other hand, the old administrative structures had achieved perfection in the impersonalization of interpublic economic relations. You will recall that their representatives would meet in Moscow only when challenge red banners were shared out and would visit one another only during culture and art festivals, perhaps.

But now we are concertedly discovering economic Americas.

[Krotkov] And who, as you said, is nudging whom?

[Silayev] Who precisely we can only guess. But take, for example, this situation. At the first round of the republics' negotiations with representatives of the "Big Seven" on the subject of payment of the external debt the delegation of Ukraine agreed, it seemed, with the principle of unitary responsibility. But three weeks later brought to the second round work prepared at home in advance that essentially canceled out its former agreement. Even in front of our creditors it is embarrassing. After all, they remain amazingly harmonious, but with us—continual surprises. The morning prior to the meeting with the foreigners we republics met to discuss details of the debt deferment together. We did so. It was time to leave, but still no representatives from that same Ukraine. They had left, without having given us advance notice even. This is not how big business is conducted!

[Krotkov] And how did Russia's representatives behave at the negotiations?

[Silayev] Russia was represented by Yegor Gaydar. I was then meeting him for the first time and I scrutinized my new acquaintance with understandable zeal. He made a good impression: He is an educated and objective individual who sticks up firmly for his positions. He has sufficient character, it would seem, to uphold independent judgments. True, he lacks experience of practical interaction with representatives of the executive authorities locally (who bear the main burden in respect to realization of the reforms). But this will come with time—he will travel around and become acclimatized.

[Krotkov] What would you wish for him, as your successor, in the completion and specification of the impending economic reform?

[Silayev] I would like to say first of all that I liked Russia's new economic program. I would, naturally, strengthen the part of it which deals with a "go-ahead" for the fledgling entrepreneurs.

It is necessary, not stinting, to help the farmers and to allocate billions of dollars for them to set themselves up with equipment. And let the collective and state farms wait a while.

The same in industry. Why should we not create our "incubation fund," as in many other countries? After all, if a beginner who has gone bust there presents commendations from authoritative businessmen, he not only is not planted in a debt "hole" but given new credit—let him put himself to the test one more time. For the main acquisition for any country is an energetic entrepreneur, for whose training no money should be grudged.

[Krotkov] What do you think about the part of the program which is devoted to the social protection of the citizens? Does it also need strengthening?

[Silayev] What is meant by "strengthening?" Even if we today jack up the unemployment benefit to R10,000, this will not make the shelves any more abundant. We need first and foremost to stimulate with might and main expanded commodity reproduction and establish sparing taxes for entrepreneurs. And if we hang on them an insupportable burden of social programs, they will only succumb to the strain, and then we will really be left hungry and barefoot. So it is better to tighten belts for a time.

[Krotkov] Substantial numbers of our readers are convinced that the country's leaders are calling for the people to tighten their belts with such airiness because they themselves will not go barefoot and will not be waiting in kilometer-long bread lines. Excuse the impertinent question: How much do you earn and where do you realize your wages?

[Silayev] My wages as chairman of the IEC are R3,200. I hold the position of chairman of the Operational Committee for Management of the National Economy, however, on a voluntary basis and do not receive a single kopek for this. I go for bread myself to a regular municipal bakery. I purchase other provisions in our local refreshment room. It would be hypocritical to maintain that it is as poor as the regular stores in the city.

Can this be called privilege, and if so, is it deserved? Let someone else answer this question. I would add, though, that I work without days off from 0800 to 2200. I am up to my neck, as they say, in problems.

[Krotkov] Let us hope there is a result.

### Selyunin Views Economic Community Treaty

924A0260A Kiev KOZA in Russian 1 Nov 91 p 4

[Interview with Russian essayist Vasilii Selyunin by I. Koliushko; place and date not given: "Let Us Call This a Community"]

[Text] At a time when politics is gravitating toward things utopian, and economics toward things absurd, it is hardly worthwhile to fault the Treaty on Economic Community for absorbing both of these features. Likewise, we should not be surprised at the staunch conviction of many commentators in central newspapers that an inescapable apocalypse awaits those who have failed to sign the treaty. However, the document in question nonetheless merits close attention. Many of its provisions reflect the position of an influential group of Russian politicians who are attempting to recreate the Union on a Great Russian basis. Obviously, these attempts will once again be made in the process of signing specific agreements envisaged by the Treaty. There is nothing but a sober approach and common sense in the remarks by the well-known Russian essayist Vasilii Selyunin. However, it appears that at present quite a few people lack these traits, which also makes his words very topical. Since the text of the Treaty itself is being discussed, its most dubious provisions will partially replace questions in this interview.

[Selyunin] To be sure, the Treaty on Economic Community is no more than a statement of intent; it does not have any direct effect. However, the signing of 25 specific agreements on individual issues is envisaged. Can you imagine how long their development, coordination, and signing will take? There will be the most acrimonious arguments about each one of them: After all, vital interests will be at stake. In this case three years will not be long enough, to say nothing of the three months allocated. This is to say nothing about the organization of execution and monitoring.

For example, the agreement "On Prices and Volumes of Deliveries Under Mutual State-to-State Treaties and for Common Needs" must be signed. In this case, very strong institutes of Union power are necessary in order to enforce compliance. However, since Gorbachev and the old center did not succeed at this, this is all the more unlikely at present. Besides, such an agreement would signify that states trade with states rather than free producers among themselves. That is, there will once again be a plan and state requisitions which nobody is interested in complying with. All of this has already been practiced, and the result is well known. However, let us turn to the wording of individual provisions.

[Koliushko] Article 16: "Member states of the Economic Community perceive the need to preserve the ruble as the common currency in the unified monetary system of the country, and agree to make efforts to reinforce it. The introduction of national currencies by member states of the Economic Community is allowed..."

[Selyunin] There is an immediate contradiction here: On one hand, there is the common ruble and the obligation to reinforce it, while on the other hand, national currencies are allowed. One cannot create one's own hard currency while at the same time reinforcing someone else's currency. It is either this or the other. However, to tell you the truth, the ruble has expired, and nobody or nothing will be able to reinforce it anymore. No other common monetary unit will replace it.

[Koliushko] Article 22: "...coordinated restrictions on the deficits of consolidated state budgets... and the setting of limits to the growth of the internal debt of the member states of the Economic Community... In the event the limits set are exceeded... the amount of a given surplus is treated as a debt obligation to the other members..."

[Selyunin] The maximum quota of deficits in the budgets of republics (the amount by which expenditures exceed revenues) will be set in this manner. However, along which guidelines? Why on earth, for example, should Ukraine tolerate a greater quota for, say, Turkmenia than for itself? After all, given common money, this means subsidizing the budget of Turkmenia at the expense of the budget of Ukraine. Likewise, there is nothing to prevent each of us separately and all of us together from exceeding this quota. According to the Treaty, the amount of excess is counted as a debt to other



members of the community. Fine, but how and when will this debt be repaid, and who is going to need this later? It is easy to visualize the actual course of affairs: Everyone will strive to take, and nobody will strive to give back.

[Koliushko] Article 19: "The Banking Union is entrusted with the following functions: ... setting interest rates on loans extended by the central (national, state) banks to commercial banks..."

[Selyunin] There is a notion such as a positive bank interest, that is, when the fee for credit exceeds monetary emission (inflation). Thus, taking into account the current rate of depreciation of the ruble (about 3 percent weekly), the positive interest rate in our country may very well come to 1,000 points by the end of the year. Having borrowed 100 rubles [R], you will have to pay back R1,000 in a year. For example, not so long ago monthly credit fees in Poland came to 36 percent.

This is why any fixed, to say nothing of common, interest rate on loans will very soon make loans a great privilege which state banks will grant either for a bribe or for other extraneous considerations.

[Koliushko] The same article: "The Banking Union shall set quotas for the involvement of central (national, state) banks... in the provision of loans to budgetary systems."

[Selyunin] Listen, this is horrible. Let us look at just one of such "budget systems"—the Army of the former Union. De facto, the Union itself is no more, but the Army exists! As Ye. Shaposhnikov stated, it is apparently inexpedient to reduce defense expenditures. So, everyone agreed to maintain this bottomless pit in the future. Meanwhile, this item of expenditure alone is capable of negating the independent balanced budget of any republic.

[Koliushko] Article 24: "The budget revenues of the Economic Community come from contributions made by its members set in the form of a fixed percentage of the national income (gross national product) produced..."

[Selyunin] Discord is unavoidable in this instance. After all, for example, Ukraine produces several times more on a per capita basis than many Asian republics. Which government will take the risk of taking the last assets away from its citizens to benefit another state? After all, in this case everybody will ask: What is the sovereignty and statehood of, say, Ukraine about then?

[Koliushko] Article 26: "Member states of the Economic Community acknowledge the need to implement target programs for facilitating the development of certain regions and providing social assistance to their populations."

[Selyunin] Chernobyl has become a graphic illustration of the effectiveness of financing all-Union target programs. Why would the republics finance someone else's programs if they lack funds for their own?

[Koliushko] Article 37: "Member states of the Economic Community regulate foreign economic operations independently... within the framework of agreed quotas."

[Selyunin] Is anyone who has an opportunity to sell some of his own possessions interested in getting someone else's permission to do so? Such agreements may only exist if we are capable of delivering to the world market something of which we have a surplus. For example, this is what OPEC countries do with regard to oil exports. However, violations and quarrels are common in their case too.

[Koliushko] Chapter IX. "Institutions of the Economic Community."

[Selyunin] The Council of the Heads of State adopts compulsory resolutions by a majority vote. That is, some states will be forced to act in a way disadvantageous to them by a majority collusion which these states will not do anyway. In essence, this chapter openly brings back the empire with its imperial organs of government. The names are different, but otherwise it is all the same.

[Koliushko] Therefore, what is the result? To your mind, what is the main general shortcoming of the document?

[Selyunin] Delaying genuine reforms in member states is the main flaw of the Treaty. We have merely embarked on this path, but it turns out once again that nothing needs to be done. Once again, we are attaching hopes to some kind of common economic space, some kind of community. In short, we still believe that someone from the top will give us a gift of affluence, freedom, and everything else. The time has long come to get rid of such illusions. It appears to me that we should begin with bilateral agreements.

[Koliushko] Specifically what do you mean?

[Selyunin] State-to-state economic relations (even bilateral) are hardly good per se. The issues of monitoring and inefficient administrative coercion measures remain. This is why state-to-state deliveries should be reduced to a minimal group of goods. I believe that five to 10 types of goods are enough. For the remainder, producers of goods should engage in free trade with other producers of goods. This is possible given a firm currency, this time around everybody's own currency. In this case, the state will no longer restrict the export of goods anymore but will promote it in every way possible. After all, Ukraine will in turn be able to buy everything it needs from Russia with funds received from the latter, and the other way around. It is not the governments but the producers of goods themselves that should decide what it makes sense for them to buy or sell, how much, and from where. For example, Ukrainian power stations will keep buying residual fuel oil from us and recoup their outlays plus a profit by selling electricity. These will be regular economic relations without any grudges.

[Koliushko] However, some republics, for example, those of Central Asia, may not like such relations. The



opinion is common there that Russia has poisoned and robbed them, and now wants to trade with them on an equal footing.

[Selyunin] I have heard such statements. However, let us sort this out. After all, in return for cotton delivered dirt cheap by, for example, Uzbekistan, we delivered oil and other goods in the same manner. I do not think that the environment in Tyumen and many other places is less contaminated than the cotton fields of Uzbekistan. Everybody has the same losses in this "flea trap."

[Koliushko] However, at present no one, not even Russia, is able to trade at world market prices in freely convertible currency. What system of settlements would you propose for new trade relations until the former republics acquire their own hard currencies?

[Selyunin] Dollar-denominated clearing, of course. This will enable us to eliminate any claims against each other right away. The system of mutual balances may exist at different levels: from state-to-state to bank-to-bank, and even between individual suppliers.

Foreign-exchange clearing amounts to an agreement on the mutual crediting of claims and obligations resulting from the value equivalency of the deliveries of goods and services. A clearing agreement includes a number of mandatory elements:

- currency of clearing;
- volume of clearing;
- the maximum allowed volume of debt;
- the system of equalizing the debt, and others.

In the future, the lifting of customs duties and other border restrictions on the flow of goods may be considered in the future as national currencies are reinforced, and exports and imports in trade between two countries become equal (in terms of cost). Of course, this is the ideal case, but we should aspire to it. After all, a common market, which is what the present utopian Treaty is aimed at, will not be achieved in any other way.

[Koliushko] Recently the central press has frequently drawn an analogy with the European Economic Community as an argument in favor of signing the Treaty. What do you say about this?

[Selyunin] Indeed, at present the degree of integration between the countries of the European Community is higher than between our republics. However, the analogy is absolutely improper, primarily because the EEC is a community of equally strong partners. We cannot say this by any means about all of our republics. This is precisely why nobody will admit us to this community at present, collectively or singly (as well as to other international economic organizations).

[Koliushko] At present, they are talking more and more loudly about possible conflicts between Ukraine and Russia. Do you believe in this?

[Selyunin] At present, such issues cannot even be raised. If there are no infringements of the rights of the Russian population of Ukraine, any interference by Russia is out of the question.

However, I once again count on the development of market relations. Those who trade do not fight. Territorial disputes between France and Germany which are now history may be a classical case in point. Besides, the whole of Europe has been able to unite only through a common market. As such a market develops, the significance of borders is largely erased. I simply fail to see another way to resolve all current discord and disputes.

### Selyunin Views Current Economic Situation

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in Russian 7 Dec 91 pp 1-2

[Interview with Vasiliy Illarionovich Selyunin by Ch. Savvatayeva; place and date not given]

[Text]

[Savvatayeva] Vasiliy Illarionovich, what do you think, why are the reforms not making headway?

[Selyunin] What many people are saying right now is that the people are not ready for the market, and those who rule us are not familiar with that market although they want it. All insignificant arguments. Specialists incompetent? Call in those who are competent. At this point, practically everyone has a clear idea of what to do and in what sequence: It is not in vain that the economists and journalists have been at work these past six years. But the people needed emerge when the need for them arises, not before. I see two decisive causes of the delay of the reforms. The first: very difficult and unpopular measures have to be adopted, and the government just has not been able to decide on them. Yet the situation is deteriorating, it will be still more difficult to decide tomorrow.

It seems to me that Gorbachev was aware of the need to change the social system back in 1987. I suspect that he understood even then that there would be no thrust unless property was privatized. But he has not ventured to do this, but has set about "improving" the system of planning and material incentives.

[Savvatayeva] What do you think, why did Gorbachev still not decide to rehabilitate private property even then?

[Selyunin] The reason was apparently that the strata of managers on whom he relied did not care much for any kind of ownership. And not on any sort of ideological grounds. Purely material interests were operative. After all, bureaucrats were essentially the owners.

[Savvatayeva] But today the situation has changed in the higher echelons of power and in people's minds. But there is a measure which is obviously indispensable and just as obviously unpopular: liberalization of prices. It is thought by some: however correctly and knowledgeably it manages to be carried out from the standpoint of economic theory, the team that decides to do it will have to depart under pressure of popular dissatisfaction. Perhaps that is the reason why the Russian authorities have been utterly unable to decide to free prices?

[Selyunin] Right, those fears are not groundless. In Poland, for example, the Mazowiecki-Balcerowicz team, once they had contributed the reforms, were forced to step down from power. But those people did the real hard work, and now things are quite normal there. We do not have any alternative either. And it is Yeltsin who must carry out a liberalization of prices, taking advantage of popular support. And as for the fears.... This is what one must fear: The deeper the crisis in the economy and the faster the rate of inflation, the more difficult it will be to make the transition to free prices. Will Yeltsin's prestige weather that unpopular measure? I think it will.

[Savvatayeva] In a recent television appearance Boris Nikolayevich announced that prices of certain basic commodities—petroleum, coal, shale, but also bread, salt, milk, and vodka—would be restrained. What do you think about that?

[Selyunin] I think that all prices have to be released simultaneously—both wholesale and retail prices. Prices on all commodities. Here, just imagine, if we remove restrictions from wholesale prices of bread, but retain the retail prices. What will happen? There will be no bread. No bread—that is all there is to it! The bread store will not be able to buy it at the dizzying wholesale prices (today on the exchange they are paying 5,000 rubles [R] for a ton of grain)—and sell it at a fraction of that. Go back to the system of subsidies with which we are familiar? But when there are subsidies, there is no need to work. The payments are there in any case. Everything will go back into the old round.

[Savvatayeva] Incidentally, about wages. The Russian authorities are promising they will remove restrictions from everyone whose wages are not financed from the budget. This would seem to be a logical step: If restrictions are being removed from prices of all commodities, then why do they have to be retained on a commodity like labor? But certain economists feel that wages must unfailingly be restrained—so that the growth rates of wages would lag behind the rate of inflation.

[Selyunin] Restrain wages? This is impossible in practice. The well-organized ranks of the workers will get their share regardless. I assure you that in the next month or two we will absolutely have an average wage of R1,000. But even that growth of wages will not cover the rise of prices. And as for the budget, it is not so very complicated to restore it to health. We can hardly count

on a growth of revenues for the treasury. That means we have to tighten the purse strings. And the main expenditure item is defense. I think that we simply must stop military production.

[Savvatayeva] Stop military production? Vasily Illarionovich, forgive me, but does it not seem to you that this proposal, which sounds impressive coming from an economist who is theorizing, will not be taken seriously by any active politician or responsible manager? Doing that, after all, means throwing into the streets millions of angry men who until quite recently considered themselves to be extremely necessary.

[Selyunin] How well you have put it! It turns out that you yourself understand that there is already an arms surplus, and the whole thing comes down to what the "best of the best" will do with themselves. In Russia alone, and only in machinebuilding, defense production employs about 10 million people. I am not, after all, proposing that they be thrown out onto the sidewalk. During the conversion period, say, a year or a year and a half, let them be paid the average wage. Not their present average wage, but the average wage in Russia, which will be somewhat lower. That would be a guaranteed income. But you want to achieve something more—to increase the output of civilian products. Curtailment of military production will, of course, prove to be a difficult and extremely unpopular measure. To our misfortune, 82 percent of defense production of the former Union is in Russia.

Given the present situation with the defense industry, we will not manage to avoid a drop in the volume of production or devaluation of the ruble. Just see what is happening. Military expenditures in January money according to official figures amount to R130 billion. In the first nine months of this year, they have grown another R40 billion. How? This was done by order of President Gorbachev to offset increased prices of military products. Name me another sector which has received that kind of addition. There are no such sectors. But they peeled off R40 billion for the military as though it were a few kopeks. Which means that the world can crumble, but do not touch defense! However, the world is still standing, but it is our budget that has crumbled. Just think what additional revenues were foregone on behalf of those R40 billion. In our case, after all, it is not just additional revenues we are missing, the union budget is not even receiving the planned revenues. The republics are not paying—and that is that. Over those same nine months during which the defense industry was receiving above-plan amounts, the union budget fell short about R90 billion. This is a great deal if you take into account that the entire revenue side of the budget was planned at R250 billion for the year. Today, they say that the deficit in the consolidated budget—the union, republic, and local budget—will amount to some R350 billion by the end of the year. Now, this is not a deficit at all, but the utter absence of any control over finances. And with all this going on, the Army still collected. What

is that secret source of funds that has been discovered at the level of the Union? There is one source: the printing press.

It will not hurt at this point to recall that nearly 36 billion additional paper rubles were put into circulation in those first nine months. By way of comparison: In the first half of the eighties, an additional 3-4 billion new rubles were added per year. I think that by the end of this year note issue will amount to R150 billion. This is more than a doubling of the money supply.

But do you understand that we are continuing to produce guns instead of butter successfully? Here is an eloquent illustration for you: the situation in machinebuilding. If we do not reckon the output of that sector in rubles (that will come to nothing; after all, because of the artificially depressed prices of arms, 1 military ruble is equal to 5 or 6 civilian rubles), so, if we reckon military output in world prices, the discrepancy is awesome: Armament in the strict sense represents 62-63 percent of the sector's output. But to create that, other equipment is needed, so-called capital goods. And by a very cautious and very strict calculation, that accounts for another 16 percent of the output of machinebuilding. It turns out that approximately 80 percent of machinebuilding is engaged in producing weapons and equipment to make weapons. So, only one-fifth of the capacity of this immense sector is assigned to civilian production, including 5-6 percent assigned to the manufacturing of consumer goods—automobiles, refrigerators, television sets....

Today, total defense expenditures are absorbing 25-30 percent of our entire gross national product. (In the United States, only 5-6 percent of GNP is spent for this purpose, and in Japan it is 1 percent.) And what will happen tomorrow? The formation of national armies has already begun. Just one army has picked us clean, and now.... It is difficult to imagine that the republics will agree as independent states to pay to maintain a common army that is hostile to them. And then the entire burden of military expenditures will fall to Russia. Up to now, it has been accounting for barely more than half of the union budget. That means a bit more than half of the expenditure side, including defense. Now, just think of it, Russia is paying those expenditures alone. Which means that the burden of defense outlays is doubling for us. And if they are cut in half, it, the burden, will not decrease at all for Russia.

However, why are you and I talking in the subjunctive mood? Russia is already paying for the Army alone. The other day, President Yeltsin declared that Russia was guaranteeing the payment of wages to all personnel of the Union. Only a small portion of those payments goes to teachers, physicians, and other "peacetime" personnel paid from the budget. The lion's share is absorbed by the military-industrial complex and the Army itself. The Russian treasury is empty—which means that additional money will be issued.

[Savvatayeva] Vasilii Illarionovich, you said that indecisiveness in the adoption of difficult and unpopular measures is one reason why the reforms have been held back. What is the second one?

[Selyunin] The second is the illusion that the market reforms can somehow be carried out through a community and as though there is nothing we can do in our own republic until the top officials over there agree, and all decide for all. That is what is holding back our entire cause. Every state must carry out its own reforms independently.

[Savvatayeva] But that means definitive disintegration, at the very least, of the common economic space that still does exist at present, a further marking of boundaries, and, it seems, complete chaos in the economy.

[Selyunin] A year and a half ago, when I favored the transition to republic currencies, there was no end to the accusations made against me! So, they said, once a fool, always a fool: He wants to break up the Union! But I had one reply to all the charges and doubts: If you want to build a market economy, you cannot do without reliable money as a measure of value. The ruble is no longer performing that function, and in the present situation it is hardly possible to revive it. Today, after all, when the republics have no confidence in one another or in the center, everyone, as they say, is pulling the blanket to himself.

We have been saying that the center is covering the deficit in its budget with the printing press, but the republics, after all, have also been doing the same thing. In Lithuania, for example, average monthly wages have gone beyond R1,000, whereas in Russia they are half that. The same thing is happening with subsidies to sectors operating at low income or at a loss—the states of the ruble zone have been lightheartedly writing off the debts of those sectors, they have been issuing new credits as direct subsidies covered by the joint and several liability of a Union that now no longer exists. Incidentally, credits have ceased to differ from budget financing of enterprises. The payment for the credit is a tiny fraction of inflation, and as a consequence enterprises borrow money which is still worth something and what they pay back, and that with interest, is only trash.

The unified ruble can no longer be saved, it will just be trampled into the mud still further. Introduce any other monetary unit common to the states on the territory of the former Union—it will suffer the same fate. The unified ruble no longer serves anyone's economy, much less a common economy, and it will not unify commodity producers. And the sovereign republics are setting up cordons along the perimeter of their borders: Go right ahead and send us anything you want for rubles, and we will even say thank you, but excuse us, we will not let our goods go. Dishonorable, unfair? Allow me, those are emotions.

You cannot build an economy, business ties, on consciousness. Much less on the consciousness of the leadership of independent states. In 1991, sales of clothing and footwear across republic borders were off 40 percent. In the first nine months, the Ukraine was short nearly 900 tons of sugar in its supplies to Russia, or 6 kilos for every Russian. Suppose I see my three-year-old grandson make a game of writing all over his hand with a colored pencil. I reprimand him, and he explains: I am writing out the waiting list for sugar. But how can I reproach the Ukraine for not making deliveries? It is not profitable for them to sell sugar for rubles—end of conversation.

[Savvatayeva] And you believe that interrelationships among the republics will change when republic currencies are introduced?

[Selyunin] Certainly. The purchasing power of the national currencies will depend only on the republics themselves. Russian fuel, timber, will be sold for new rubles. And then that same Ukraine will not want to hold back its goods at the border, but, on the contrary, will try in every way to stimulate the commodity producer: export, export more to Russia! Otherwise, with what will they purchase what they need?

And it is Russia above all that is suffering from the state of interrepublic trade today. Even our petroleum production has become a losing operation—what an absurdity! It is great being born in Kuwait, and you may not have to work your entire life: The Egyptians, the Iraqis, will do the work, and you only benefit because God arranged for you to come into the world in that country. On world markets at the present time, a ton of petroleum is worth \$118-122, and wheat \$120-130. That is, a ratio of 1:1. But in exchanges in our country, grain is going for R5,000 per ton, but petroleum is still going for R70. See what that same Ukraine is doing in this situation: It buys Russian petroleum at R70, in its refinery it extracts from it the most expensive fractions—gasoline, kerosene, gas oil, and the residual fuel oil that is left is sold at \$65-80 abroad.

The American economist Albina Tretyakov made a present to me of curious calculations which she made on commission for the Institute of Soviet and East European Economies in Stockholm: All the fuel sold by Russia was converted to world prices. In 1989 and 1990, Russia produced \$131.2 billion worth of petroleum, gas, peat, coal, shale, and firewood (in the average year). At the same time, it itself consumed \$74.5 billion worth of fuel, and it exported \$56.7 billion worth. Some abroad, some to the other republics. The Ukraine received more of all the fuels from us than anyone else—\$11.9 billion worth. The other republics less. But they all paid a token price. According to estimates of experts of the Commission of European Communities, after conversion to world prices, the 14 republics of the former Union of the SSR have a trade deficit of approximately \$50 billion in trade with Russia. That is, that is approximately the annual subsidy which all the republics are receiving from

Russia through our deformed system of prices. So that the republics that signed the economic agreement are the very same ones which are receiving the largest subsidies from Russia. Their interest is understandable: So long as Russia is keeping their economies afloat, they will be ready for agreements. But they are pumping everything from here and hauling it away—and then they give us a kick in the rear: Take your things away, take away your dolls, we are not playing with you anymore.

Incidentally, subsidies to the other republics amounting to 50 billion through the system of depressed prices does not account for all the gifts by any means. The former Union received 30 percent of its foreign exchange proceeds from sales of Russian goods. But how was the foreign exchange distributed? If the officials in the republic behaved well, they got quite a good sum. And if they proved insubordinate—nothing for you! When Gorbachev was in a conflict with Yeltsin, purchases of grain, sugar, and other goods for Russia amounted to only 1 percent of the plan.

Our natural resources are being given away, and at the same time the petroleum extraction sector has become a losing operation, and our export potential has dropped off sharply. According to my estimates, if we compare 1991 to 1990, petroleum exports fell from 109 to 40-45 million tons. Petroleum derivatives fell from 50-56 to 28 tons, and bituminous or better coal fell from 35.4 to 20-25.

Total foreign exchange proceeds of the states of the former Union also were cut approximately in half. Imports fell off still more sharply—during his years in power Gorbachev has managed to pick up so many foreign credits that in recent months foreign exchange proceeds have become insufficient to pay the interest on the debt and to repay debt which has come due. There is not even anything with which to buy medicine. Meanwhile, however lamentable affairs might be, over the period January-September Russia had a positive foreign trade balance. And it was not even that small: exports exceeded imports by \$11 billion. Would that money be unnecessary in our economy? We might buy goods with it, we might saturate the trade sector while the market reforms get going. The trouble is that Russia is not master of its own dollars. Here I have given the figures on petroleum exports. I would add: we sell just as much of it abroad as we deliver to the Ukraine alone for practically nothing.

[Savvatayeva] I am afraid that your arguments will seem extremist and chauvinistic to non-Russians.

[Selyunin] Well, I cannot help that. I recently met here with Ukrainian democrats. These people, you know, are progressive, there is no way to tell. They listened to my calculations and stamped it with a single word: This, they said, is petroleum blackmail. Not so! I am in favor of normal trade, it is better than giving gifts. Presenting gifts back and forth does not do anyone much good. The countries in East Europe are an example of this. How

much petroleum and gas has been pumped there, how much timber, cotton, and other goods have been exported there for some kind of stupid transfer rubles? All the countries have been losing in the cramped space of CEMA, and at the first opportunity, as you see, the allies sent us away without a word. So what now, will we begin to build a new fleabag along CEMA lines, only this time in the zone of the former Union?

And here is something else: The effect of the reforms will be manifest when people begin finally to work. But very few people are willing to work for worthless money—it is more profitable to stand in line, perhaps you might get something at the state price.

Or here is what needs to be done quickly: In literally a month or two, to privatize trade, the food service industry, and everyday services, because the liberalization of prices and state ownership in these spheres are incompatible things. It would not be bad at all to sell the stores on the installment plan. But for the moment, there is no sound money, buying on installments would be like receiving a gift: In just a year, the purchaser's contribution would become a token amount because the ruble is losing value.

I do not say this because we should wait a little in the liberalization of prices. By no means! This is a measure of the first order under any conditions. In the last three years, including 1991, the volume of economic activity on the territory of the Union has dropped off 20 percent, hardly less than that. Approximately the same decline was observed in the USSR in four years of the great depression (1929-1932). So that no time is left even to be afraid of giving up our illusions.

#### Reliability of DELOVOY MIR Prognoses Analyzed

924A0305A Moscow DELOVOY MIR in Russian  
19 Nov 91 p 3

[Article by Aleksandr Frenkel, doctor of Economic Sciences, and Yelena Shustova, deputy chief of Administration of the RSFSR State Statistics Committee: "Can You Trust 'DM'?"]

[Text] For several months running now, DM [DELOVOY MIR] has been publishing prognoses of the RSFSR economic market, as a unique experiment. Let us remind you of the dates: 26 July; 8 August; 10 October; 6 November. How reliable are these prognoses? At the editors' request, the authors analyzed one of them—the September one. The results are published below.

To evaluate the quality of the prediction of the output of basic types of industrial products for September 1991 (see DM of 10 September this year), we used the predicted data and the factual data subsequently obtained.

The predictions of the output of most types of products should be acknowledged to be satisfactory. This can be seen in the table, in which the deviations of the predicted amounts from the actual amounts are given.

**Deviations of the Predicted Amounts of Industrial Product Output in the RSFSR from the Actual Amounts, by Basic National Economic Complexes (in %)**

Complexes	Type of industrial product	Deviations (%)
Fuel-Power	Electric power	None
	Coal	None
	Petroleum	Up to 3
	Gas condensate	10-15
	Natural gas	None
Metallurgical	Iron ore	None
	Pig iron	None
	Steel	None
	Finished rolled stock	None
	Steel pipes	3-5
	Coke, 6% moisture content	None
Machine Building	Metal cutting machine tools	None
	Press-forging machines	None
	Mainline diesel locomotives	None
	Mainline electric locomotives	None
	Mainline freight cars	None
	Mainline passenger cars	Over 15
	Trucks	3-5
	Passenger vehicles	3-5
	Buses	None
	Tractors	None
Chemical-Timber	Rolling bearings	10-15
	Primary refined petroleum	3-5
	Diesel fuel	None
	Residual fuel oil	10-15
	Sulfuric acid	3-5
	Synthetic ammonia	3-5
	Soda ash	10-15
	Caustic soda	3-5
	Mineral fertilizers	3-5
	Chemical fibers, filaments	5-10
	Microbiological feed protein	3-5
	Rough logs	None
Construction	Commercial timber	None
	Lumber	None
	Plywood	Up to 3
	Wood-chip board	Up to 3
	Cement	None

**Deviations of the Predicted Amounts of Industrial Product Output in the RSFSR from the Actual Amounts, by Basic National Economic Complexes (in %)**  
(Continued)

Complexes	Type of industrial product	Deviations (%)
	Building bricks	None
	Pliant roofing materials	3-5
	Asbestos-cement sheets	Up to 3
	Asbestos-cement pipes, couplings	Over 15
	Precast reinforced concrete items	None
Consumer Goods	Radios	3-5
	Television sets	5-10
	Bicycles	3-5
	Sewing machines	5-10
	Electric vacuum cleaners	5-10
	Refrigerators, freezers	3-5
	Washing machines	Up to 3
	Tape recorders	3-5
	Washing detergents	Up to 3
	Cotton fabric	5-10
	Woolen fabric	5-10
	Silk fabric	5-10
	Hosiery	3-5
	Footwear	Over 15

In the fuel-energy complex, complete coinciding of the expected and actual data was achieved in the prediction of the output of electric power and coal and natural gas extraction. The error in the prediction of petroleum extraction was 2.8%, which is fully acceptable (in statistics, when solving applied problems, a predictive error for a period of prediction equal to up to 3% is acknowledged as acceptable). Only the error in the prediction of gas condensate proved to be sizable—10.6%.

In the metallurgical complex, 100 percent accuracy was achieved in the prediction of iron ore extraction and the production of pig iron, steel, finished rolled stock and coke with 6% moisture content. The error in predicting steel pipe production was 4.7%.

In the machine building complex, the predictive and actual data coincided in the prognosis of the output of metal cutting machine tools, press-forging machines, mainline diesel locomotives, electric locomotives and freight cars, buses and tractors. The errors in calculation of the output of trucks and passenger vehicles were respectively 4.4 and 3.4%. A considerable error was made in the prediction of the output of rolling bearings—12.1%. A colossal error was made in the prediction of the output of mainline passenger railcars—35.9%.

The results are somewhat poorer in the prediction of the production volumes in the chemical-timber complex. This is particularly true of the production of residual furnace oil, soda ash and chemical fibers and filaments (the errors in the prediction were 12.5%, 14.3% and 7.7%). In the prognosis for the production of sulfuric acid, synthetic ammonia, caustic soda, mineral fertilizers, primary petroleum processing and microbiological feed protein, the errors in prediction were in a range of 3.3 to 4.9%. Complete coinciding of the data was achieved for diesel fuel, rough logs, commercial timber and lumber. The errors in the prediction of the output of plywood and wood-chip boards were respectively 2.7 and 4.2%.

In the construction complex, the calculation of the output of cement, building brick and precast reinforced concrete proved accurate. There was a negligible error of 0.2% in prediction of the output of asbestos cement sheets. The prediction for the output of pliant roofing materials had a 3.7% error. A tremendous error of 33.3% was made in predicting the output of asbestos cement pipes and couplings.

The production of non-food consumer goods mainly depends on the supply of raw material, materials and completing items and parts obtained through intra-union cooperation and through import. Since it is virtually impossible to predict these supplies under the present conditions, predicting the output of complex household equipment, as well as the products of the light and textile industries, is also made more difficult. Good results managed to be achieved in predicting the output of washing machines and washing detergents (prediction error of 1.1 and 1.8%). Prediction of the output of the rest of the non-food consumer goods yielded errors ranging from 3.3 to 8.5%. The error in prediction of the output of footwear reached 18.5%.

Therefore, business people on the whole can trust the prognoses of DM.

#### **Head of Russian Business Congress Interviewed**

924A0252A Moscow PRAVITELSTVENNYY VESTNIK in Russian No 38, Sep 91 p 5

[Interview with G.Yu. Semigin, vice president and chairman of the board of the Congress of Russian Businessmen, by Ye. Dugin and L. Chernenko: "To the Summits of 'White' Business"]

[Text] How many different associations, societies, movements and parties have made their appearance lately! Each one of them is supported by people with particular interests and social forces of various orientations. If we evaluate them not by their publicity statements but from the standpoint of their actual influence and prospects, we have to devote our attention to the Congress of Russian Businessmen which made its appearance recently. The very word "congress" sounds powerful and important, which conveys the influence of the new organization quite well. It is common knowledge that in the United States,

Congress is the name given the parliament, and in India, it is the name of an influential political party. But what is the Congress of Russian Businessmen—a purely economic organ, a center for coordination, analysis and research, a distinctive club, a new party which is coming into being, or some kind of “trade union” for businessmen? We learned from our conversation with G. Semigin, the vice president and chairman of the board of the Congress of Russian Businessmen, that all these attributes are characteristic of the new organization to one degree or another.

[Dugin, Chernenko] Gennadiy Yuryevich! The country's former administrative and management structures are collapsing now. In establishing the Congress, haven't you formed a new structure of this type, a kind of ministry of businessmen?

[Semigin] If the previous ministries had set the same goals as the congress and if they had used the same methods we are choosing, they could have existed even longer. The congress' objective is not management, but participation in the development of a new economic system to organize society based on wide-scale unification and coordination of Russia's business activity during the period in which market relationships are shaped.

The Congress of Russian Businessmen, which was formed as a state nongovernment organization to unify entrepreneurial structures in the market sector of the economy, has about 100 members. They include the “Dzhenal” Industrial-Financial Corporation, the Russian Association of Banks, the Russian “Aros” Concern, the Russian State Fuel Association “Rostoprom,” the Moscow Commodity Exchange, the Moscow Shareholding Commercial Bank “Vozrozhdeniye,” the RSFSR State Committee for Management of State Property, the All-Russian Sociopolitical Movement “Obshchestvennoye Soglasie” [Public Consent], and numerous commercial, stock exchange, banking, and insurance organizations.

[Dugin, Chernenko] Yes, these are important forces. Essentially, the call has been issued: businessmen of the country, unite! But what for? What can this provide for them, and what can it give the people?

[Semigin] Increasing initiative is really held back because businessmen are separated. Moreover, it is no secret that business circles have their own conflicts. In May and June, for example, there was a real war between the largest banking associations and there were conflicts in the stock exchange structures and the insurance business. There were sharply divergent views on how to form a securities market—in accordance with the American system or the European system. Disputes on theoretical and practical problems took the form of a clash of ambitions, and matters became personal. A situation such as this, naturally, did not contribute at all to the influence of businessmen in developing the market. Only by overcoming the conflicts and uniting can we work out

a concept for activity in the business sector during the period of economic reforms and coordinate our actions.

It would appear that the flawed legislation and poor legal foundation for the market sector has been an insurmountable obstacle on the path of business initiative. There are fundamental laws, of course, but they are not sufficient. No matter which area we take—small business, the securities market, banking, the stock market, or commerce—there is a critical shortage of both laws and normative documents.

We should also point out that the “market” draft laws and normative documents were developed privately, prepared by small groups cut off from the work of specialists, and without any involvement of businessmen themselves in this work, of course.

We want to break up this practice. The congress intends to take an active part in forming a legal foundation for the market economy. All suggestions are being concentrated on this now and they are being analyzed. Congress representatives have acquired the opportunity to participate firsthand in the development and expert assessment of all draft laws of the RSFSR in the economic field. We now also have the right to draft normative documents related to development of the market infrastructure and the legal machinery for its operation and present them for the government's consideration. These are all important achievements.

While market structures were shaped by decisions from the top at first, they now have become so strong that they can exert influence themselves to shape a favorable environment for their own development; this is what makes the new stage of reforms distinctive. And that is why we are now forming our own overall conception of market development and working out concepts for the development of banking, the securities market, and the insurance and small business market. In a word, we are working independently to shape the concept for development of the market sector.

[Dugin, Chernenko] But our market sector is not isolated from the national economy. Do businessmen intend to take part in implementing state programs?

[Semigin] Yes, we are working to develop such a mechanism and selecting the best possible alternatives for our participation in implementation of major state programs. It should be mentioned that the congress itself is initiating a number of its own programs which are very important for the national economy and the social sphere.

[Dugin, Chernenko] What kind of relationships are taking shape between the congress and the Russian Government? Are you opponents or partners?

[Semigin] There are some of both in our relationships. We may act either as opponents or partners in the interests of our work. The Russian Government is carrying out important work to establish and develop the



business sector. In order to really coordinate the activity of the government and business structures in this direction, we have elected I. Silayev, chairman of the RSFSR Council of Ministers, as president of our congress. It should be mentioned that there were different points of view here, and we considered this decision from both a legal and moral standpoint. But in the interests of our work we took this step, which unquestionably has contributed to the combined efforts of the government and businessmen in moving toward the market. We have developed practical relationships with the RSFSR Supreme Soviet. Many of its committees and commissions are working directly with our congress. We recently received a decree from the RSFSR Council of Ministers stating that congress and business representatives have the right to attend meetings of the government and its presidium and to submit its proposals, including normative documents, there.

For the first time we organized a meeting between businessmen and the Russian Government in which we set forth our view of the situation, we discussed problems in our relationships and forms of cooperation, and mapped out joint actions for market development. An official agreement between Russian businessmen and the RSFSR Council of Ministers is being planned.

Representation and protection of the business sector's interests in the organs of authority and administration is our most important task in the social and political area. This right was given to us by the First Assembly of Businessmen. This right is being given to us by about 100 of the largest business structures, which are members of the congress today.

[Dugin, Chernenko] The list of congress members itself shows that this is a influential economic force. But is your organization a political force? In your view, is it able to influence the political sector as well?

[Semigin] Take the recent events associated with the attempted coup d'etat. Businessmen joined the front ranks with those who opposed the forces behind the coup attempt immediately and without hesitation. They were also at the barricades and provided physical support for the White House defenders. This position clearly attests to our political choice. We support the political parties and movements which stand on the platform of a market economy and democracy.

We believe that a structure which expresses the interests of businessmen and the middle class may appear in the future. The widespread business movement, which continues to grow and develop, is the foundation for this. And this is one of the guarantees that our path to the market, the path of democracy, is irreversible.

[Dugin, Chernenko] We have been afraid of the power of capital and the dollar for a long time, and this is why many people have doubts about the good intentions of businessmen and their moral principles. What kind of role is being played by the moral side of business?

[Semigin] Success in business is determined to a large extent by competence, prestige and reputation in the business world. Thus, a number of large business structures were not accepted in the congress because of their questionable reputation. We feel that real businessmen should engage only in "white" [ethical, legal] business and strictly adhere to the businessman's code of honor.

[Dugin, Chernenko] Gennadiy Yuryevich! What route have you taken in your 27 years to reach the summits of "white" business? What do you contribute to this concept?

[Semigin] If you are speaking of my education, I completed the Riga Higher Military-Political School with an honors degree and a specialization in political science. Then I studied in the Higher Economics School. I also completed the International Business School. I am now taking a correspondence course at the All-Union Institute of Law. I work 16 to 18 hours a day without days off or vacations. It is even hard for me to feel wealthy and enjoy the resources at my disposal—there is simply not enough time for this.

In principle, each person views business in his own way, and each person sets his own goals for it. But there are rules of the game which must be followed without fail. In earning a livelihood, let us say, you should make it possible for your partner to earn as well. You should be proper in selecting the percentages for your transaction and be able to share them in time with your partners. You should give your partners the opportunity to take part in your business and to earn together, and so forth. These are the criteria for cleanliness in the so-called "white" business—this is the highest intellectual approach to business organization.

[Dugin, Chernenko] Is it hard to be young and wealthy?

[Semigin] It is difficult on all sides. I think that this is a problem for young businessmen and young politicians who have to make up for the years they have not yet lived by "a look ahead" based on their little experience. In order for them to stand on a level with persons who are very experienced and wise, the only solution is to look several steps ahead. For this reason, it is really difficult to be young, and to a certain extent it is also hard to be wealthy. Wealth commits one to the business.

[Dugin, Chernenko] What are the mistakes you would like to caution businessmen about?

[Semigin] Intrigue and attempts to lapse into a certain political extremism because of business. I would warn them against attempts to become rich by illegal means. Most leading businessmen are persons who know how to make money competently, legally, and officially, of course. One should not seek triumphs in the field of profit, wealth, personal comfort, and so forth. These things corrupt a person. A person should make wise use of his money and career so that he can evaluate a situation sensibly. Only then will he find true success and genuine satisfaction.



### Administrative Problems Hinder RSFSR Privatization

924A0261A Moscow *RABOCHAYA TRIBUNA*  
in Russian 27 Nov 91 p 2

[Interview with Petr Sergeyevich Filippov, chairman of the privatization subcommittee of the Committee of the RSFSR Supreme Soviet for the Economic Reform and Ownership, by Aleksandr Krotkov in Moscow, 27 November 1991: "Where the Illusion of Privatization Wanders"]

[Text] Petr Filippov, chairman of the privatization subcommittee of the Committee of the RSFSR Supreme Soviet for the Economic Reform and Ownership, paid a visit to the office of the newspaper today.

[Krotkov] Petr Sergeyevich, it is my understanding that you are the author of the package of Russian laws on privatization which were adopted by the republic parliament back in early July of this year. Why are they not operative even now?

[Filippov] You have come to the wrong address. We only write the laws, the republic Council of Ministers organizes their implementation. It made a mess of the whole thing. They are the ones to ask.

[Krotkov] That is a serious charge, it requires proof.

[Filippov] Here it is. By 1 August, the Council of Ministers was supposed to bring all normative enactments into conformity with the privatization package, and by 15 August it was supposed to revise and revoke those that contradicted it. This has not been done even now. The Council of Ministers was supposed to present to the parliament a government program for privatization, without which the laws are not operative. It still has not been presented.

[Krotkov] You speak of the "Council of Ministers." But it is large. Who is specifically to blame? Name names.

[Filippov] Specifically—the State Committee of the RSFSR for Management of State Property and personally its chairman, Mikhail Maley, who was recently removed from that post.

[Krotkov] Forgive me, but many people know Maley as an ardent advocate of speedy privatization, and a very effective man besides. Your words might be taken as an attempt to cast all the blame on someone who has retired and cannot talk back, to make him the scapegoat....

[Filippov] True, Mikhail Dmitriyevich is an advocate of privatization. But he was brought up short by the search for simplified ways of arriving at it, roads along which we would find ourselves in a bright capitalist future in an instant, as by a magic wand. For example, he said: Let all those who wish go to that same AZLK [Moscow Order of Labor Red Banner Motor Vehicle Plant imeni Leninskiy Komsomol], purchase local shares of stock, and get a

stamp on their passport to the effect that the privatization account has been used. If we go about it that way, tomorrow they will carry off the plant to shingle their houses.

[Krotkov] How should it be done?

[Filippov] The way it is done throughout the world: organize an auction. And then the shares are acquired not by those who manage to be first in line, but those who pay more.

[Krotkov] But then the ordinary worker will not get anything at all. Operators from the shadow economy and those who operate on the exchanges will hike up the prices to the point where they themselves will be the only actual purchasers.

[Filippov] That is what will happen if we carry out privatization inch by inch. Yet if a great deal of a commodity comes onto the market all at once, then prices will fall instantaneously.

[Krotkov] That would be a good thing. But when exactly will privatization finally take place on a broad front? When and where will these actual privatization accounts be given to people? And in what amount?

[Filippov] No one will answer the last question in advance. And this is not only a matter of inflation, which in a month can turn the 7,000 rubles [R], which was thought to be a probable sum at one time, into R5,000-6,000. For that same reason, we do not know the aggregate value of enterprises to be privatized, and it is not precluded that additional funds will be credited to the accounts of individuals until that portion of state property planned for sale has been purchased. But as for the question of "when and where," under the law on the privatization accounts, they are to be issued by Rostsentrobank [Russian Central Bank] at the beginning of the coming year. It is another question of whether the bankers and the new team in the Russian government will manage by that deadline. Broad-scale privatization is supposed to begin still earlier—so that early on it can perform its role as a stabilizer of the circulation of money, "soaking up" a portion of the "hot" money being kept in the sock.

[Krotkov] It turns out that the operators in the shadow economy and other moneybags will be given a chance to make a killing? What obstacles will be set up to prevent the laundering of money gained through crime?

[Filippov] Everyone will have to fill out a declaration on income. But, to be honest, this is what I think: What needed to be laundered probably has mostly been laundered already—there are more than enough opportunities for that as it is. And we can only console ourselves that the constructive impact of the emergence of millions of thrifty owners keeping watch on their money invested in business will exceed the negative result from legalization of shadow capital. Just so privatization gets going!

[Krotkov] But something or someone is interested in holding it back, just as before?

[Filippov] Indeed they are. It hurts the pocketbook of very many influential circles. For instance, as a result of privatization there will be a sudden outflow of money from numerous commodity and raw materials exchanges, and their stock will go down. Ruin lies ahead for many newfound exchange operators. And they are doing everything to keep that from happening. Nor are enterprise directors happy about the changes.

[Krotkov] But they, after all, will not be laid off. Someone still has to manage production. And you cannot train new "captains of industry" between sunup and sundown.

[Filippov] True. But they will no longer be accountable to a minister who can be won over with cognac, but to an assembly of stockholders. And they do not allow unsubstantiated expenditures to be undertaken on behalf of illusory prospects, and they will want an accounting for every kopek. Because it is theirs!

After all, many directors have now become entirely bogged down in establishment [nomenklatur] privatization, and they are involved in pumping an immense amount of treasury funds from the pocket of the state into their own.

[Krotkov] How?

[Filippov] It is elementary. A director, say, goes to the ispolkom [executive committee] and registers a partnership which he need not head himself, but would be headed by some relative, a brother, a nephew.... And he concludes a deal with it whereby some trifling job, it does not matter what, is paid for at a fabulous unit price. Just try to figure it out, especially if they are negotiated prices....

And now tell me, does a director need real privatization and the watchful eye of a council of stockholders?

[Krotkov] The picture you paint is somehow too dark. That way we will never get privatization in Russia even in 100 years.

[Filippov] Do not despair. It will be managed considerably earlier than that. But it does require connecting up some kind of levers. For example, instituting a system of bonuses for civil servants to reward performance in carrying out the privatization program. It would not be a bad idea to take advantage of the experience of Chile, where commercial secrecy was prohibited for state enterprises. Why? Everything their managers did was open to scrutiny not only by state inspectors, but also the work collective and the press. Incidentally, our subcommittee is already preparing a document to that effect.

[Krotkov] But if the members of work collectives become the stockholders of their enterprises, they will be

able to conduct an expert evaluation of the financial activity of the officials—without additional permission from higher up....

[Filippov] First, by no means all plants will become the property of their workers. The law envisages only full freedom of choice—the joint stock company can be closed, open, or a joint venture.

And second, I would not get carried away concerning the work collective as the thrifty boss of its own production operation. Worker-stockholders, for instance, are not motivated to expand automation of production, which could result in layoffs. They are content if most of the profit goes to wages—to the detriment of capital construction.

[Krotkov] Here, I cannot agree with you! We know of the experience of the giant automobile company Chrysler, which was bought up by its workers when it was on the verge of financial collapse, and this helped to increase its profitability. And conversely, when Chrysler stock began to be sold on the market to everyone on the insistence of trade union leaders, the corporation's business went into decline. And workers at a satellite plant in West Virginia who purchased their enterprise, which had fallen on hard times, even took a 10-percent cut in wages and gave up their vacation, just so the plant would not close down and they would not all lose their jobs.

[Filippov] In an extreme situation there is nothing you will not do. But as soon as life gets back to normal, then human nature takes over. It is no accident that in the United States the workers own only 10 percent of all the property, the rest is in private hands.

[Krotkov] And I have heard that the proportions are the other way around.

[Filippov] Do not confuse ownership of the work collective with ownership of an open joint stock company. The latter might also be listed as a collective whose owners might quite well be workers. But when an auto assembler at Ford (or the AZLK) owns stock of the company next door, Chrysler (or ZIL), he will no longer allow the neighboring corporation to refrain from mechanization in order to save jobs, so that then the stockholders are paid low dividends.

[Krotkov] I think theoretical arguments of that kind will cease to disturb anyone in the very near future. Universal interest is being concentrated on matters that are altogether practical: In exactly what will we invest money, and what will be the procedure of this operation, which is new to the population—will everyone have to go to stock markets, or will brokerages be the middlemen in the acquisition of stock? A high price will be paid for information on which of them can be trusted and which cannot. I suppose the question will inevitably arise of criminal accountability for false data concerning the creditworthiness of plants being privatized. After all, any embellishment of their financial situation could threaten

the ruination of millions of innocent stockholders who have invested their funds in a "soap bubble."

[Filippov] The answers to all these questions must come from the privatization program, which is being given the final touches by the new personnel in the RSFSR State Committee for Management of State Property.

### **Russian Jurisdiction Over Gold, Diamond Mining Advocated**

924A0271A Moscow ROSSIYSKAYA GAZETA  
in Russian 26 Nov 91 p 2

[Article by Vitaliy Mezrin, candidate of engineering sciences, general director of the Russian Industrial Investment Fund: "Gold Fever"]

[Text] Gold fever, which excites countries and continents from time to time, is already threatening to leap from the empty shelves of Soviet jewelry stores to the world's gold exchanges. As the saying goes: "Gold becomes gold in times of anxiety."

It should be said that in recent decades gold's role as a worldwide equivalent has been cast in doubt on several occasions by circles associated with international banks in order to establish the dollar as the world currency. But the situation which I would describe in a single word as "boundless" could have occurred only on the Russian gold market.

Lithuania, Latvia, and Estonia, which gained statehood after the August events, immediately rushed to protect their economic sovereignty from migrants coming from the USSR. In particular, they abruptly raised the prices of gold articles, and their sales were permitted only to citizens of those republics.

But in those same August days I was surprised to see in a Moscow jewelry store articles being traded on the side without any exchange of business cards and passports at a price (converted to standard 999 fine gold) of approximately 215 rubles [R] per gram. Incidentally, there were quite a few Lithuanians among the purchasers. Trading that "free" in a country caught up in a crisis seemed incredible to me, but everything seemed in order with the sellers—they had two letters from Mosgortorg [Moscow City Trade Center].

There is clearly something to think about here. A citizen of Lithuania, say, who puts up R2,150 to purchase 10 grams of gold can go back home and convert that gold into \$130—that is the world price, by selling it at the scrap price of \$367 per ounce (28.3 grams). Yet a citizen of the RSFSR who is going abroad can exchange those same R2,150 (within the limits of the \$200 quota) in one of the capital's exchanges, for example, in the bank "Menatep," for only \$77.

It is a paradox: The state, or structures which it permits to engage in financial operations, is conducting a policy of infringing on its own monetary system. In no country

in the world is there a difference between the price of gold and the commercial rate of exchange, but in our country there is a twofold difference.

At the present time, the price of this precious metal is \$367 per ounce, as I have already said. But there is every sign that the price will rise. To be specific, the demand for gold in the world last year exceeded its supply by approximately 580 kg, and unless the situation changes, according to the assessment of experts of the World Gold Council presented in a meeting held this June in Toronto, the price per ounce even in December could rise to \$410.

Leading world gold producers, for example, the USSR and Canada, often sell large lots of bars of this metal to maintain the national currency and economy. Last year, our country dropped from second place (after South Africa) among leading producers of this metal to third, giving way to the United States.

Domestic production of gold in the USSR, according to Western estimates, at present amounts to 250-260 metric tons, and more than 85 percent of the metal is mined on the territory of Russia. But who disposes of this wealth of ours, and how is it done?

This year, just as in 1990, USSR Gosbank [State Bank] sold through Western banks in Switzerland and England more than 220 tons of this precious metal at a price of \$202 per ounce, when the price on the world market is \$367 per ounce, in order to support large-scale imports. That is, the country lost a large amount of money—more than \$1 billion.

Soviet diamonds, which are mined only on the territory of Russia, are also being sold at prices far below the prices of the world market. For more than 30 years now, all of our diamonds reached the world market only through the South African corporation De Beers, which is the principal world monopolist in the buying and selling of diamonds.

Thanks to this "moving" concern on the part of the USSR Government, the corporation has reaped immense profits. In 1990 alone, the Soviet Union sold diamonds through De Beers worth \$990 million (at an average price of \$90 per karat), while independent exporters sold diamonds of the same quality at prices of \$187 (Angola), \$208 (Sierra Leone), and \$300 (Guinea) per karat.

Enthusiastic articles about the "Ruler of the Diamond Empire" published in issues of IZVESTIYA this June indicate that it was to the advantage of someone in the USSR leadership to touch up the image of De Beers, tarnished a bit by criticism, and present its principal owners—the Oppenheimer family—as the kind of business people who live and breathe only for the welfare of our people.

Thus, the national property of Russia is virtually being sold for a song. And the ukase of President B. Yeltsin

entitled "On Securing the Economic Base of the Sovereignty of the RSFSR," adopted in the most dramatic days of the coup attempted by "the Eight," is supposed to put an end to its expropriation through the exporting of minerals, energy, and other resources.

Point 3 of that ukase not only calls for building reserves of gold, diamonds, and foreign exchange of the RSFSR, but also determines the republic's share in settling the USSR's foreign debt.

As is well-known, at the London meeting of "the Seven" the Soviet side proposed that the West create a "stabilization fund" for the ruble in the amount of \$12 billion. It will take approximately 1,060 tons of gold to obtain that amount, in the opinion of John Latli, president of the Gold Institute, an international organization (Washington, United States), of which USSR Gosbank is a member. When this circumstance is taken into account and also the size of the USSR's external debt (including payment of interest), it becomes clear that the hopes of certain domestic economists that there will be sizable strategic stocks of gold, which would help us to support the ruble, have gone up in smoke.

Since the failed coup in the USSR the West has already begun to think seriously about furnishing us major assistance. But the question arises: How will we pay for it? In view of the general situation in the country and Russia's position, a thorough inspection should be made of our capabilities when it comes to sharing the debt of the USSR. To be specific, the gold mining industry of the Far North is today on the verge of ruin: The sharp decline in the standard of living, the primitive living conditions, and the poor supply of foodstuffs to the people living there have taken their toll. At the same time, enterprises are unable to compensate the workers for the rise in production costs. The state prices of gold are fixed, but the enterprises have to buy supplies, spare parts, and equipment at negotiated prices. And so qualified specialists are leaving the North, and that means that the mining of gold, so necessary to Russia now, will decline.

That is precisely the situation at the gold mines in the Northern Urals. It is not much better in the Far East.

The only real way out is to rapidly transfer to RSFSR jurisdiction the gold and diamond mining enterprises located on Russian soil and to provide them the help they need. Above all, the price of the gold that is mined has to be raised. This will give enterprises an opportunity to weather the crisis and get production going again. And, of course, we need state support in the supply of food and medicine to cities and settlements and in developing facilities for housing construction.

Aside from that, we need to stimulate in every way the creation of artels and small enterprises for mining Russian gold, whose production cost in those artels is far lower than in the large-scale enterprises.

As for the sale of gold on the world market, joint structures need to be formed with reliable foreign partners to study the market of precious metals and diamonds.

In addition, we need to bring about a complete cessation of exports of gold to the world market in the form of bars, and we must take advantage of Russia's having both gold and diamonds by selling them in the form of articles.

For example, India, whose annual production amounts to only 1-2 tons of gold, annually sells more than 100 tons of articles incorporating that metal, and is accordingly one of the world's purchasers of gold.

Gold and diamonds, transformed into exquisite articles by Russian craftsmen, must be sold on the world gold markets through companies and firms specifically set up for that purpose and must bring Russia the foreign exchange it so much needs at this point. The RSFSR Supreme Soviet needs to create structures that would monitor the operations of the pumping that goes on between gold and foreign exchange parities both within the country and also abroad.

## INVESTMENT, PRICES, BUDGET, FINANCE

**Soviet Delegation Discusses Financial Market**  
*92SM0074Z Sao Paulo GAZETA MERCANTIL*  
*in Portuguese 19-21 Oct 91 p 21*

[Article by Angela Bittencourt]

[Text] Sao Paulo—Soviet financial experts are looking toward Brazil. A delegation of 23 representatives of Sherbank—the Bank of Moscow—is getting ready to come to Brazil in a few days to take part in a meeting whose central topic of discussion will be the operational practices of the financial and capital market in Brazil.

The Soviets are not coming here by accident. Brazil was identified as the market most resembling the Soviet market from the standpoint of regulation. The banking delegation realizes that the fact that the Brazilian economy has lived with constant inflation for almost 30 years can serve as a good model for its domestic economy, inasmuch as the projections of the analysts indicate that the USSR can live with annual inflation rates of approximately 250 percent per year beginning in 1992.

The meeting with members of the Brazilian financial community is scheduled to take place from 29 October through 1 November at the Sao Paulo Business Center and is being organized by Soyuz Trading, Agrimisa Trade, and Raphic Communications.

### Controversial Topics

During these four days the Soviets will discuss—with renowned Brazilian experts—topics that are controversial in Brazil such as the structure of real estate credit, the operation of investment funds, the organization of institutional investors, the implementation of mechanisms for attracting capital, and the use of credit cards to facilitate commercial transactions.

### Finance Ministry's Secret Accounts Examined

PM2611114291 Moscow SOVETSKAYA ROSSIYA  
in Russian 21 Nov 91 p 1

[Interview with USSR Control Chamber Chairman A. Orlov by political observer S. Karkhanin—date, place not stated: “Billions Behind the Scenes. USSR Control Chamber Chairman A. Orlov Tells of Ministry of Finance's Secret Accounts”]

[Text] The report to the Union parliament by A. Orlov, chairman of the USSR Control Chamber and USSR People's Deputy, was a bombshell. It became clear that almost 52 billion rubles [R] had been kept in two closed accounts of the Finance Ministry, unknown to the Supreme Soviet. In this way a kind of second, “clandestine” budget existed in the country. Who disposed of it? How in general could such a thing happen when we have not even got the funds for our immediate needs in the country? A. Orlov spoke about this and other problems in the work of the USSR Control Chamber in a conversation with SOVETSKAYA ROSSIYA's political observer:

[Orlov] As far as we now know only the finance minister, Gosbank [State Bank] board chairman, and two or three of their senior officials knew about these two accounts. I will not retell the background to our discovery; it has already been written about in the press. Finance Ministry and Gosbank leaders assert that there was nothing secret about these accounts, and that the residue of our resources from previous years was collected together here. But then it is incomprehensible why this “residue” has not been taken into account in statistical data and has not been used to reduce the budget deficit. It turns out that for several decades finance ministers were able to dispose of sums of many billions unchecked.

Where did the money go? About two billion went on a loan to the Ministry of Railways, three billion to the economic stabilization fund, one billion to the Ministry of Civil Aviation, and in addition R1.3 billion was returned to the Bank for Foreign Economic Activity. It looks like the Finance Ministry bought currency, which means one of the accounts was a currency one. In order to clear the matter up completely, it is necessary to locate the origins of the funds, but it has not yet been possible to get hold of the necessary documents. Now the prosecutors have become involved in the “story of the 52 billion” and will work together with our experts, and a commission of deputies has been formed from both chambers of the Union parliament. I hope that in the

final analysis the mystery of the closed accounts will be solved, all the more so as we are acting strictly within the framework of our powers as stipulated by the Law on the USSR Control Chamber.

It probably cannot be ruled out that the Finance Ministry has not two but more such secret accounts in the Gosbank, and that people are so actively hindering our examinations because they fear that our inspectors will discover the whole “underground accounting process.” By the way, the Finance Ministry and Gosbank were never subjected to examinations and now both departments are surprised that documents are being requested from them.

So we demand that the Finance Ministry confirm in documentary form that it was the government and not the minister personally who was in charge of the two accounts. A secret Council of Ministers resolution of 1974 has been mentioned but not shown to us, and up till now we have also not seen other materials. I must add that the government if, of course, it is implicated in this sorry story also was not entitled to dispose of such sums of money without the Supreme Soviet's knowledge. All in all the examination is not complete and its completion is a matter of professional principle for us: We must show the taxpayers that the Control Chamber is capable of acting effectively.

However, the investigation is taking its course, but what should be done about the money we have found—because there is still almost 45.5 billion in the two accounts after all this year's outgoings? We put the USSR president in the picture about everything and he was extremely indignant and assured us that he had known nothing. True, the Gosbank board chairman let slip recently that the Politburo usually resolved such questions, but it is possible that this was only the case during the tenure of M.S. Gorbachev's predecessors in the post of General Secretary. In a talk with me the president agreed that you cannot hide the story of a sum equivalent to one-fifth of the Union budget, and asked us to think how to better use the funds which have been discovered.

Our research center, where serious scholars are engaged in predicting the economy's development, has prepared three alternative scenarios. The first is to return the money to the Gosbank. But credit backed by 48 billion has already been issued and used. And then the Gosbank would receive enormous assets which would stimulate inflationary processes. The second scenario is to finance the Union budget deficit with these billions until the end of the year, and then the Supreme Soviet will not need to agree to extra credits in November and December. And finally the third scenario is to put the money into a special interrepublic fund which will be able to finance on a competitive basis defense sector plants converted for the production of agricultural equipment for lease and private farmers and the construction of rural roads, storehouses, and processing enterprises. It is evident that

such a route will seem to many deputies the most acceptable, but in any case the right to choose belongs to the USSR Supreme Soviet.

Now it is time to talk about problems with the budget. There is no Union budget as such, its income section has basically been abolished: It depends not on taxes, but on the republics' desires and wishes. And if, as the Finance Ministry planned, R22-23 billion in income comes in during November and December, the president will be forced to take out in addition credit of R68-73 billion. Inflation will exceed all reasonable limits. Why is this happening? The answer is clear: The republics are refusing to pay.

There is then good reason to proceed by another route. If Russia, Kazakhstan, Uzbekistan, and Azerbaijan have taken for themselves the income from the oil and gas industry, then let them bear the expenses involved. For the moment the Union budget shoulders the expenditure. So in the fourth quarter it is necessary to spend R28 billion on the republics' needs from the stabilization fund, which the republics themselves should create. So let the republics take all these expenses on themselves, since they have taken over the raw materials' sectors themselves! Why should the center pay out compensation for wages to the coal miners when coal production has passed to the republics?

Or consider another point. The Ukraine is taking over three military districts on its territory—it is no longer necessary to finance them out of the Union budget. If Azerbaijan is intending to create a 300,000-strong army, let it count the future costs. Incidentally, we worked it out, and it turned out that the military budgets of three republics for the coming year will be more than the military budget for the Union as a whole this year! If all republics acquire their own armies expenditure on defense will on average increase to such an extent that it will be twice the entire current Union budget, when you take inflation and the new prices into account.

The ruble is under threat from all directions. A line from the RSFSR [Russian Soviet Federated Socialist Republic] president's package of documents on economic reform, which says that Russian departments are taking control of the Goznak [State Bank Notes, Coins, and Medals Administration] factories which print money, came as a shock to me. The president of the Russian Federation only recently assured us that Russia would set about issuing its own currency only if other republics do so. And now having read this decree, all the republics, I think, will immediately begin to issue their own money. And indeed when the ruble is the currency of the single economic space, why does only one republic have the right to print it? So why promote mistrust, put yourself in jeopardy, and in effect torpedo the economic agreement which has just been signed? I do not understand.

Returning to our everyday work, I must share with you the worries connected with the fuel and energy complex's

problems. The extraction of oil and gas condensate has been reduced by 10 percent. Due to the breakdown of links between economic units and weak contractual discipline, almost 8,000 oil wells above the norm are standing idle, and over 100 drilling teams have stopped work. Two-thirds of the RSFSR's coal enterprises have not met their targets. Due to a lack of thermal plants, 40 cities, including Samara, Ulyanovsk, Vladivostok, Kostroma, Syktyvkar, Krasnoyarsk, and Murmansk, are under threat of a heating shortage this winter. At the same time export bartering of fuel is flourishing, and the Ukraine, Georgia, and the Baltics, which do not even possess their own oil supplies, are selling coal and oil abroad.

There is much talk of the indebtedness of other states to the Soviet Union. We have studied this question and found out that the sum of the debt of the developing countries alone for July of this year came to about R46 billion including accumulated interest. And here the destruction of the all-Union currency and finance system and the coming into being of a multitude of independent states may have a very adverse effect on the opportunities for recovering the debt. People say: "We borrowed from the Union; now that there is no Union, this means that there is no one to pay it back to." We have formulated and put forward appropriate proposals which in our view will help us to at least partially resolve the problem.

But what about our "internal" reserves? More than four million people a day did not work in the national economy last year due to illness, that is three percent, and as a result almost R40 billion of output was not produced, about four percent of the actual gross national product! In addition R5 billion were lost due to absenteeism and stoppages, which incidentally increased in industry and construction by 50 percent. More than 100,000 people a day did not work due to interethnic conflicts and strikes, a direct loss of about a billion rubles.

Such is the sad arithmetic which bears witness to the fact that we are allowing ourselves to be careless squanderers in spite of our poverty which cries out.

This is how things are with regard to state resources. Not all is well with public resources either. USSR Control Chamber inspectors checked on how the funds received for charitable purposes by the International People's Humanitarian Nongovernment Organization "Chernobyl-Aid" are being used. As you know, a "Chernobyl" telethon took place last year, with the aim of giving material support to the victims of the accident at the nuclear power station and the families of those who died. More than 93 million Soviet rubles and 1.2 million foreign currency rubles were collected.

And what then? A significant proportion of the funds went on paying the organization's apparatus, and on so-called independent expert examinations, events and

publications under the headings "organizing the continued collection of funds" and "financing the local organizations' programs." The independent television company "Neva-TV" is energetically financially supported from donations. As a result one-third of the total has already been spent and only five percent of it spent directly on material aid to the relief workers, the evacuees, and the families of those who died. There is no accurate accounting record kept and no accountability. Unless steps are taken immediately, the money will be frittered away on secondary projects without any real return.

We will carry out similar examinations in the future as well. For example, materials on grain purchases abroad for hard currency are being prepared at the moment—are these expenses always justified?

### Bunich Argues for Price Liberalization

924A0927A Moscow PRAVITELSTVENNYY VESTNIK  
in Russian No 47, Nov 91 p 4

[Interview of Pavel Grigoryevich Bunich, President of the USSR Union of Lessees and Entrepreneurs and member of the USSR Supreme Soviet, by Yu. Popov: "The Price of Freedom of Prices"]

[Text] The forthcoming price liberalization in Russia disturbs everyone today. What will it bring to people? What are the consequences for our society? P. Bunich, President of the USSR Union of Lessees and Entrepreneurs and member of the USSR Supreme Soviet, ponders this matter in a conversation with our correspondent, Yu. Popov.

[Popov] Pavel Grigoryevich, the most varied opinions, which at times are directly opposite, are being expressed about the pending liberalization of prices. Many are greeting the innovation with suspicion and even fear. In your opinion, what can the consequences of this step be?

[Bunich] First of all, I want to say that I always was an opponent of price liberalization. I remind you that at one of the USSR Supreme Soviet sessions I came out for free prices and free earnings. For this I received a crude objection, though without mention of my name, in N. Ryzhkov's concluding speech. But I then considered that we still had time to take steps to calm down the consumers' market somewhat and to stabilize it before price liberalization. And during this period we actually had this opportunity at our disposal, and that means that the "freeing" of prices would not lead to an enormous increase thereof.

What are these measures? Primarily the withdrawal of money. For example, by the path of privatization and raising bank interest, as a result of which people also would bring money for deposit, and the conversion of many types of services to a payment basis, particularly in the public health sphere. Right now I think that, unfortunately, we do not have time for such measures. So

price liberalization must be resorted to with the recognition that, along with an indubitable benefit, it will bring us far more dangerous consequences than if we had done it earlier.

[Popov] What do you see as the advantages of introducing new prices?

[Bunich] Paradoxical as it may sound, only speculators win from low prices, and a few of the disabled to whom, for the moment, something still comes their way from the white market and not from the black market. Low prices and the people's living standard are different concepts, and they are not closely related to each other. Low prices are the golden dream of the speculator. There are few of them in the West, since commodities are sold at prices as high as the seller can count on. The existence of low prices form the most suitable milieu for a breeding ground for speculators. We have always slipped the lion's share of income from low prices in their pocket. Well, what is it worth, let's say, to open a store, to sell several pairs of footwear at the established low prices, and to send the major portion to the speculators, saying that it had sold it to the public. Try to prove the reverse! It turns out that this is very complicated. Therefore it is not very often that we imprison speculators.

In this case, if low prices are officially established, then this gives the state the right not to be involved in the problem of compensation, despite the fact that an enormous part of the commodities go to people through speculation, at high prices. The populace is deprived of the right to be indignant and to demand reimbursement for the losses, since, according to the Goskomstat [State Committee for Statistics] index, prices are already high. It turns out, strange as it may seem, that low prices are a blow to the ordinary consumer.

Consequently, with high and normal prices established officially, the buyers have a right to ask how it is possible to live with them, and they have the right to insist on their compensation.

[Popov] In your opinion everyone should get compensation?

[Bunich] A substantial portion of the public, those who have a head and healthy arms and legs, should not count on any kind of compensation. It is difficult? Yes, it is not easy, but you are in a position to work, even in the evening if you do not manage to earn enough during the day. By the way, the American who has lost 100 dollars right away begins to search for a way out for reimbursement and earns 500. One of us who has lost 100 rubles only throws up his hands and groans. People who are strong and capable should understand that the market changes the whole mentality: do not count on anyone any more except one's self—neither God nor the state. Here each one becomes a soldier who carries a marshal's staff (of authority) in his knapsack: a potential businessman who possesses not one but a large number of credit cards.



During the 70 years of Soviet power our citizen has been maimed by the fact that he was fed with a small spoon, and it was tasteless, but still he was fed. His capabilities thereby were deadened, he was oppressed, and he became helpless and not adaptable to the normal living conditions under which most of mankind lives. Now these capabilities must be emancipated, an opportunity must be given to manifest them in the genuine struggle for existence.

As for the handicapped, pensioners, and certain other categories of the public, they undoubtedly need help. For them, compensation is necessary. And no solution of any other kind need be sought in this case: for these people cannot earn enough and they are sick or old.

We also have many of those who are budgeted. They are healthy and have a head. But they do not work in economically accountable organizations where the worker is provided acceptable earnings, and in state organizations where they get fixed pay which is not adequate for rises in prices. They have two ways out—either go somewhere else or get compensation. Otherwise they will not survive under price liberalization.

[Popov] What are the dangers, in your opinion, that lie in wait for us on the new path?

[Bunich] It stands to reason that there are some. And one must be a very good and experienced harbor pilot to find the right course and to bring our ship between the shoals and rocks, without letting it break up on the reefs. The main dangers are the following.

A certain number of people who work in the economic-accountability sphere cope quickly with problems of the market, since they have been more or less prepared for solving them. After conversion to free prices and earnings, they will begin to live better than today.

Not by far, of course, will all entrepreneurs achieve this position. The others, despite the fact that they will have to try even harder, will in any case live not worse than today. There are quite a few of them.

But the major portion of those who have a chance to come to the surface will not be able, unfortunately, to swim. However hard they try, they will not understand the laws of the market right away, they will not learn quickly how to go into it. Their commodities will be poor and expensive, their worthless output will be sold cheaply, and they will get into a useless situation. They will have to sacrifice for the lessons, for the fact that their thinking, which has been frozen through no fault of their own, will not allow them to swim in the storm of the market. And the storm has already started, although the highest wave still has not come. Or, in other words, they have been accustomed to a pool with water up to their knees, and, under market relationships, although they will not drown, neither will they start swimming, they will flounder around. And actually it is practically impossible to help such a mass of people. But in a still

more difficult situation they will be among the unemployed. Ineed, some of them—the worst workers, or even the average worker, or the one who has not yet prospered or barely stays afloat in the enterprise's pool—will have to be released involuntarily. And they will fall into the social group of people that society does not need, who were born in vain. It is not at all possible to survive this.

One must be disturbed about them even now. Otherwise they will shatter all our plans. Imagine that half of the workers, who are recognized as poor ones, will leave the plant. The second half also will perish, since there is a limit to technological patience. We have hired many superfluous people, but one must not think that, after releasing 70 percent of the workers, the remaining 30 percent will stretch production with tripled energy. But if plants begin to come to a stop, then even the government will stop and, perhaps, will even run away.

Thus, there should be concern now about creating new workplaces, and thought should be given to a system for retraining workers. We know how to gab about this topic, but we do not yet have a system for such retraining, for such reteaching. We do not even imagine the scale of unemployment that we can expect, we are not even ready for this.

I see reef No 1 in this. And there are others. For example, we have authorized free pay rates to enterprises. This means that they will throw into the basket primarily the concept of base pay, which is our invention and which the countries of Eastern Europe then used. But as soon as the principle of a free wage rate is introduced, then there is the danger that the enterprise can drop with a thud everyone in it that makes a living.

However, between the wage rate and prices there is a dialectic interconnection: where increase of the first is small, the second also will be raised a bit. If the pay rate begins to swell up, then an increase in prices will quickly begin. So when enterprises increase pay rates, prices also will move upward. They, of course, will be stopped at some kind of level, for example the level of Mont Blanc, the level of Poland, the level of hyperinflation.

This means that everything necessary must be done to create at enterprises a magnet of motivation which will prompt it to use its right "to eat" the pay rate for accumulations and investment. There are two methods for this. One, the enterprise should be private, even in joint-stock, a connected form, which also is private. And arguments about the three forms of ownership—state, collective, and private—are untenable. The collective also is private, only in a connected form, which is characteristic for the whole world.

If the owner sees that the accumulations he has made do not belong to him, and are "no man's," he is not interested in them and will do everything to eat them away, even amortization is tried to transform it into a subject of consumption. One has only to make accumulation private property and the entrepreneur's conduct is changed. The same thing occurs with us: we also are



people, just like producers in other countries. And they are interested in accumulations, because it gives them an assurance that their family, children, and grandchildren are provided for, and the possession of economic independence and the political vote: their political freedom depends precisely on it. The slave at a production facility is bold only at a meeting.

The second method is to free all accumulations of the entrepreneur from taxes. By the way, in a recent appeal B. Yeltsin supported this principle. A few days before this a session of the Consultative Presidential Soviet of Russia was held, at which I expressed this idea, and it was quickly accepted by the President. He even asked: "Is it possible that we do not have this?" This idea is not mine, it has been implemented in all countries where it has been necessary to boost investment. And the entrepreneur, receiving accumulations without any tax, directs them not to consumption but to business. We thereby get a double winning: we acquire money from the consumer market and we invest it in the production of commodities for that same consumer's market.

[Popov] How much time is needed for society to sense a yield from price liberalization?

[Bunich] There are production facilities that give results in a year. We know that agriculture completes a turnover in a year. Light industry and the food industry eat off it. These are not capital-intensive branches, and they have no leisurely working construction trusts. Mainly there are no giants that operate them, only medium-size and small enterprises. The experience of Bulgaria, Poland, China, and our NEP [New Economic Policy] confirm this. Of course, not much scientific and technical progress is achieved in a year, but improvement of the consumers' market during this period is completely possible.

Right now people are experiencing fear at free prices, since they have been deceived many times. N. Ryzhkov's government raised prices without any compensation. This was a most audacious deception. V. Pavlov's government gave out about 60 rubles' of compensation, at a time when, according to the economists' estimates, not less than 280 rubles' compensation should have been given. This was the second deception. Are we to be surprised that people have stopped believing promises, even if they are completely realistic.

Then there is the question: what to do, continue slowly and painfully to slip downward? Or fly a certain distance downward like a rock but find a takeoff course? I prefer the second option, although I myself am a budgeted worker and my heart is troubled very much, because

those such as myself are scarcely compensated completely for an increase in prices.

Thus, without liberalization of prices we will inevitably slip down and die in a civil war. If we accept this difficult solution, if we free prices, then our fall, I hope, will not be lengthy, and in a year will it will be replaced by a rise.

#### 'Specialists' Polled on Price Liberalization

924A0263A Moscow PRAVDA in Russian  
26 Nov 91 pp 1, 3

[Article by V. Gerasimov, director of the public opinion research team of the Social-Psychological Department of the association "Intertraining" and the Humanitarian Center for Social Technology: "What Happens When Price Restrictions Are Removed?"]

[Text] Stormy discussions over the liberalization of prices not only have not died out as steps are now beginning to be taken in that direction, but, on the contrary, they have heated up even more. One impetus for this was the extremist report from Moscow about free prices on certain products made from grain, and then still more by their speedy rescindment. It was not only opponents of liberalization, but also vigorous advocates of this measure that forced these steps to be taken. What are the real consequences of the liberalization of prices? What is the reason for such inconsistent actions in this direction?

A poll of a representative sample of one out of every five participants in the international forum "World Experience and the USSR Economy" showed that public opinion as a whole is already prepared for the introduction of free prices; they were favored by 61 percent of the respondents, while 30 percent were against. The largest number of those supporting the introduction of free prices was among enterprise managers (71 percent), while there were fewer among chief specialists (50 percent). Men tend to like free prices (63 percent) more than women (48 percent). The graded responses on the liberalization of prices were as follows: 31 percent supported them, 30 percent were more in favor than against, 11 percent were more against than in favor, and 19 percent were against.

At the same time, against this seemingly quite favorable background to the introduction of free prices, there is a quite substantial psychological obstacle. It has resulted to a great extent from the considerable share of indefiniteness and risk that has arisen with performance of the measures intended by the government. The consequences of liberalization are not as clear as it would seem at first. During the poll of Soviet and foreign specialists, it was found that for the domestic experts the results of liberalization, for all their uncertainty, are still seen in a rosier light than for their colleagues from abroad.

Forecast of the Results of Liberalization of Prices (in percentage)

	Soviet Specialists	Foreign Specialists
The economy will "get on its feet"	10	—
Store shelves will be filled with goods	17	21
Enterprises will increase their output of goods	12	5
Favorable opportunities will be created for getting out of the crisis	20	11
The shortage of goods will persist	21	32
The decline of production will not cease	14	50
Additional difficulties will arise for getting out of the crisis	15	32
"Galloping" inflation will begin	27	53
The ultimate collapse of the consumer market and the economy with it in the absence of real competition (in an environment of "monopolization")	10	27
It cannot be done	34	32
Other	3	5

Judging by the data of the poll, the principal motivation of Soviet specialists supporting introduction of free prices is their conviction that this measure will create favorable opportunities for the country's economy to get out of the crisis (31 percent), enterprises will increase their output of goods (16 percent), store shelves will be filled (24 percent). Opponents of liberalization argue the unfeasibility of this measure, conversely, by the possibility of additional difficulties occurring for getting out of the crisis (26 percent), a further drop of production (27 percent), and a definitive collapse of the consumer market (26 percent).

At the same time, Soviet specialists, both those supporting and those not supporting the idea of introducing free prices, feel that this measure will result in "galloping" inflation (21 and 37 percent, respectively), a further shortage of goods (12 and 37 percent, respectively). Moreover, among the measures capable of providing protection against the adverse consequences of liberalizing prices, advocates and opponents of liberalization propose: assuming absence of real competition (in an environment of "monopolization") do not be too hasty in introducing free prices (25 and 51 percent, respectively), or at least retain regulated state prices on everyday necessities (68 and 87 percent, respectively).

On the whole, the results of the poll of specialists evoke serious fears about the advisability of cost liberalization. Additional burdens are ready to come down on the population, and those sacrifices which everyone is to experience, judging from the poll, could quite well prove in vain. The probability of stimulating the economy by introducing free prices is low. Accordingly, the question arises: What is the real purpose of the liberalization of prices, and whom does it benefit?

### 'Inkombank' Heads Discuss Their Business

#### Bank's History

924A0290A Moscow PRAVDA in Russian  
28 Nov 91 p 2

[Interview with Vladimir Pavlovich Groshev by A. Chernyak; place and date not given: "Inkombank Is Not Merely a Bank"]

[Text] For a long time I wanted to see with my own eyes a real banker and, suddenly, I have found out that Vladimir Pavlovich Groshev, my schoolfellow, is a banker. What has the bank managed to do during the time that has elapsed? Our talk with the banker began with this question.

[Groshev] First of all, the bank has become a bank. We now universally conduct all the operations characteristic of any international bank. Extensive stable ties with corresponding structures of virtually all countries have been established. However, we are, of course, far from being City Bank, or other similar world bastions. We are glad that we have an excellent and skilled team, on which there are constant encroachments.

[Chernyak] What does Inkombank [Innovative Commercial Bank] represent today? Is it richer than others?

[Groshev] Not richer, but poorer. We are somewhere in the fourth place among commercial structures. Today Inkombank represents more than 250 shareholders—large production structures, such as the Cherkassy Rotor Scientific Production Association, the aircraft plant in Nizhniy Novgorod, the Tobolsk Petrochemical Combine, and others.

Enterprises of the state sector, cooperatives, and joint ventures are on the list of shareholders. Intellectual groups are also part of Inkombank. They include the Znaniye Society, Planeta, Raduga, Progress, Kniga, and other publishing houses, and institutes. In brief, on August 1 we had a total of 155 shareholders.

[Chernyak] To go back, with what did you begin?

[Groshev] We began by finding 18 shareholders who decided to establish a commercial bank.

[Chernyak] Who was the initiator?

[Groshev] The Plekhanov Institute, which I headed. Vinogradov, Khokhlov, and Asotiani met with me. We talked and decided to try. The institute made the first contribution. I will not say that everything went without

a hitch. For a long time we tried to convince our colleagues and the collective that a contribution of 200,000 was an important step not only from the point of view of capital investments, but also from the standpoint of the business that we teach students. In general, we convinced them. Authorized shares worth 350 million rubles have now been sold. The bank's resources total 5.5 billion and its turnover will be 60 to 70 billion rubles at the end of the year.

Practice confirms the correct concept—which we have chosen—of development of the bank as an intersectorial highly profitable organization operating on the basis of broad commercial and credit pluralism. Inkombank now has a ramified network of out-of-town affiliates.

We are proud that we perform currency operations and even special settlements through the Swift system. It is no secret that our ruble is weak and, therefore, currency operations lend stability to the bank. Shareholders bought shares worth approximately 6 million dollars for currency from us. If people are not afraid to buy shares for currency, it means that there is confidence in us. You have now been present at the negotiations with representatives of a Brazilian bank. Obviously, you have noticed that our colleagues are quick to understand Inkombank and treat it with respect.

[Chernyak] I noticed this and, to be honest, I was glad. We now have many commercial banks. It seems to me that this makes no sense. This does not exist in the world. Apparently, their bankruptcy is to be expected in the very near future. Evidently, however, this will not affect you—you are already standing firmly on your feet.

[Groshev] We are. I agree. A bankruptcy and a ruin of banks will begin. However, in many respects this is a creative, not a destructive, force of the market economy. Naturally, some will lose and some will win. Those that win conduct business better, become even more competitive, and go further. Today the chief thing is to sustain competition—especially now, when for all practical purposes borders are being opened. We must teach people, remake their psychology, and, above all, train professionals.

Inkombank and the joint Mirbis Enterprise have created a structure, in which people undergo initial training in the technique and policy of servicing clients. We gather young people, conduct tests in huge volumes, testing up to 100,000 people, and select those that will be able to work in the bank. We also train instructors who will teach people on premises—commercial educational institutions and business schools.

[Chernyak] Consequently, you do not only engage in purely banking affairs?

[Groshev] In this case I speak not for the bank itself, but for the structure that it has created and in which it participates. This is a management and market academy. We are beginning to engage in large research programs

and conduct basic research. A total of 5 million rubles have been allocated for research programs for 1992.

One of the structures concerns investment programs. For example, we have undertaken the development of marine resources in the Far East. A total of 1 billion rubles are allocated for this program. A large program for consumer goods is being implemented.

An exchange has been established. It not only deals with trade operations, but is also of an educational nature for the Plekhanov Institute.

[Chernyak] What is it called?

[Groshev] The Central Universal Russian Exchange. It is interesting that it operates on premises that at one time merchants made into an exchange. These premises have a good gallery and students can constantly observe the trading process. Incidentally, many of our students have become brokers. Therefore, Inkombank is not merely a bank. It brings a civilized foundation to the market.

[Chernyak] And how do you see tomorrow?

[Groshev] I believe that the rates of our development will annually increase approximately two- or threefold—in terms of authorized capital. However, the main direction now lies in the development of the infrastructure of banking operations throughout the country and of foreign operations. We intend to establish several financial companies abroad in order to give support to our entrepreneurs in foreign operations.

[Chernyak] I wish you success.

[Groshev] Thank you.

### Operating Environment

924A0290B Moscow STOLITSA in Russian No 38,  
1991 pp 56-57

[Interview with Vladimir Viktorovich Vinogradov by Kirill Rybak; place and date not given: "My Children Are Proud That Their Father Is a Banker"]

[Text] On 11 November of this year the Inkombank joint-stock bank will be 3 years old. Despite such a young age, Inkombank has already proved itself as a very sound and profitable firm. From a small organization with a staff of 20 people and authorized capital of 10 million it turned into one of the major commercial banks in the country. Its authorized fund exceeds 300 million and assets, 3.5 billion rubles and shareholders' dividends are growing steadily. However, Inkombank management made the most momentous contribution to its further prosperity and fame during the days of the August coup d'etat. Early in the morning on 21 August the bank's messengers delivered 1 million rubles in cash to the "White House" on Krasnopresnenskaya naberezhnaya [embankment]. The money was intended for the organization of the defense of the RSFSR Government House.

**We talked with Vladimir Viktorovich Vinogradov, chairman of the Inkombank Board.**

[Vinogradov] The victory of the putschists would have meant death for entrepreneurship in Russia—death not only in the figurative sense. For example, I was preparing myself for the worst. Members of the State Committee on the State of Emergency assured us from television screens that they would support private entrepreneurship. However, we were perfectly familiar with the previous “feats” of those people and had no illusions. From businesses the “saviors of the homeland” perhaps would have left small trade, barbershops, and laundries. They were preparing for us some frightening version of the dictatorship, not even a Latin American or a fascist one. Everything would have been much grayer, worse, more monotonous, and, what is most terrible, there would have been more hunger than in Chile or Germany.

However, precisely because the junta did not and could not lean on big capital, on businessmen, it was doomed. We realized this and believed that the money assigned for the defense of the “White House” was a very profitable capital investment. The 9 million that Inkombank allocated for the elimination of the consequences of the coup to the Russian Fund for the Protection of the Homeland and for bonuses for workers at the Ministry of Internal Affairs and servicemen who protected the RSFSR Government House—nor do we consider this a loss for us. This was a guarantee of the development of market relations and of the stability of society.

[Rybak] Only a few days after the brilliant victory of democracy over the putschists a big group of entrepreneurs announced that Moscow was becoming a city unfavorable for business and that Gavriil Popov, “having concentrated immense power in his hands,” was beginning an attack on entrepreneurship in Moscow. Perhaps the capital’s businessmen were hasty in supporting the governments of Russian and Moscow?

[Vinogradov] Let us call a spade a spade. The entrepreneurs who today cry about the mayor’s “dictatorial ways” only try to preserve the status quo. They have managed to invest a considerable amount of money in Moscow’s former leaders and it seems to me that now they are simply afraid to lose this “capital” after the reorganization of the capital’s power structures.

Yes, indeed, Popov received the right to interfere in business affairs. For the time being, however, he has not taken any discriminatory steps with respect to entrepreneurs. In brief, the mayor of New York is given no less vast autocratic powers: He can both set ceiling prices and introduce additional taxes at his discretion. The whole point lies in the way these rights are used.

With regard to threats about shifting the center of business activity outside Moscow, I do not consider them serious. Moscow was, is, and will be a city favorable for business and the financial center of Russia and of the new Union in whatever form it is reborn.

[Rybak] However, as far as I know, mutual relations between Inkombank and the same Central Bank of Russia are turning out not at all as you would like...

[Vinogradov] This is a question of personnel, which, as before, “decide everything.” Basically, people accustomed to the Stalinist banking system work in the Central Bank of Russia to this day. They are unable to work under present conditions, issue endless instructions and prohibitions, and “do not let go,” holding back the activity of private banks. About 3,000 commercial banks now operate in Russia. A total of 1,000 of them have been established with initiative, like Inkombank, but 2,000 are structures that have detached themselves from all kinds of ministries and departments. The Central Bank allocates vast credits to these 2,000 banks and supports their existence artificially. But we, “of low descent,” are working without a kopeck of state credits. What talk can there be about a market, including a credit market, and about normalization of the money turnover in such a case?

We do not claim any privileges. Let the Central Bank sell credits for an annual interest of 12 percent to commercial banks, let it increase this percent with due regard for inflation to 20 or 30, but there should be equal conditions for all. Let them check our activity, let them command. However, one must command in a civilized way. To begin with, it is necessary at least to abolish in instructions dozens of points, which enable officials to interpret the law as is convenient for them.

Despite all our difficulties and confusion, Inkombank management looks at the future optimistically. In a few years workers promoted to positions of responsibility in commercial banks, including in ours, are sure to hold management posts in the Central Bank of Russia. And we will see to it that the Central Bank of Russia manages us sensibly. In turn, we will be of maximum benefit not only to our clients, but also to the Russian state that is being revived.

These are not empty words. Banks such as ours, in fact, could give considerable assistance to Russia. It would be very timely if right now the state enabled us to begin the attraction of hard currency for our joint-stock capital. Through what? Through a system of guarantees with real assets: land, mineral deposits, and metals, which are in demand all over the world. Let these be small amounts, but, working with currency credits, private banks will be able to gain the necessary experience. And when serious cooperation with the West begins, we will be ready to service this cooperation quickly, in a high-quality manner, and without losses.

[Rybak] The amount of the minimum deposit in Inkombank for private individuals is 5,000 rubles. Taking inflation rates into consideration, apparently, only well-off people can permit themselves to keep such money in the bank and not to spend it immediately...

[Vinogradov] Indeed, we do not work with poor strata of the population. Those who worked in the North and who

managed to make "hot" money in business keep their money in Inkombank. However, we live not only for today. Our advertisement—both in the press and in television—is designed primarily for the future intelligentsia and for future well-off people, who today still study in schools and institutes. The Inkombank badge, which resembles a coin, has become for these young people a kind of symbol of the present time—the time of businessmen. Even if suddenly—let us imagine the impossible—Inkombank ceases to exist, this badge will remain in the memory of hundreds of thousands of people. When present-day students and schoolchildren earn their first big money, I believe that they will know where to bring it in order to keep and increase it.

[Rybak] Most of your potential clients still have a guarded attitude toward commercial structures. Elderly people often view businessmen as class enemies...

[Vinogradov] Completely in vain. Last year Inkombank transferred 18 million rubles to the city budget. This money went for assistance to pensioners and disabled persons, for an increase in teachers' salaries, and for children's homes. If the city administration supports commercial banks more actively, we will be able to transfer even more sizable sums...

Inkombank extends credit for large turnovers of trade organizations and, thanks to us, a certain old woman can buy herself a coat at a fixed state price. Yet this credit is by no means the most advantageous for our bank.

We have allocated about 5 million rubles for all kinds of sponsor programs, at the same time, trying to allocate as much money as possible for culture. Inkombank helped to organize tours by Mstislav Rostropovich. We support the Tretyakov Gallery, the Moscow Ballet on Ice, the Art Opera Center, the Andrey Tarkovskiy Fund, and many creative collectives. It seems to me that this belongs to "rich people" to the same degree as to poor people.

[Rybak] That is, you try "to correspond" to your advertisement, which states: Inkombank knows true values.

[Vinogradov] Our good name is the true value for us. Striving for optimum, not maximum, profit is the unwritten law of Inkombank activity. We also have another slogan: "Nothing too much, but... step by step."

In our country it is necessary to distribute national wealth very carefully, not intensifying, as far as possible, the abyss between the rich and the poor and not provoking a social explosion. If businessmen forget the millions of indigent people standing behind their back, the year of 1917 will repeat itself. We do not forget. Therefore, we are forced to artificially cut down the wages of our associates. Our employees receive about tenfold less than they should on the basis of the bank's financial success. It is much more profitable to work as a broker on the exchange. However, more and more people want to work with us. A commercial bank represents not so much money as prestige, social stability, and the opportunity to realize oneself.

[Rybak] Have you personally realized yourself, standing at the helm of Inkombank?

[Vinogradov] It seems to me that I am on the right path. But there are many imperfections. For a long time I have dreamt about finishing writing and defending my candidate's dissertation. I need 3 months for this. But the bank is not ready to manage without me for these 3 months. Consequently, I have not yet organized matters properly. I myself have to work a great deal—12 to 14 hours a day.

[Rybak] Is your wife not hurt that you spend so little time with the family?

[Vinogradov] She is used to this.

[Rybak] And your children?

[Vinogradov] They are proud that their father is a banker.

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#### **'Inkombank' Activities Viewed**

*924A0294A Moscow EKONOMIKA I ZHIZN  
in Russian No 47, Nov 91 p 5*

[Article by A. Zhdanov (Moscow): "Inkombank's Capital"]

[Text] At daybreak 21 August, a group of young people with bulky bags entered the RSFSR Supreme Soviet building. "Here is a million for defense," the lads announced, handing over the load to the guards of the Russian White House. The party who had sent the messengers with the cash did not limit itself to this. When the threat had passed, nine times that much came from it for eliminating the consequences of the putsch and for awarding bonuses to participants in the events at Krasnaya Presna, and also to the Russian Fund for Defense of the Motherland.

The total was 10 million rubles. This was the free financial support that was extended to the democratic forces at a difficult time by the joint-stock company Inkombank (Innovative Commercial Bank), which these days is summing up the results of its three years of existence.

It confirmed the correctness of the policy of creating an independent interbranch organization which acts on the principles of commercial and credit diversity and collaboration, based on equal rights, with representatives of any form of ownership. Among the bank's shareholders and clients are state enterprises and private firms, associations and SP's, scientific-research institutes and educational institutions, publishing houses and editorial

boards, kolkhozes and sovkhozes, cooperatives and construction trusts, and public organizations and private persons.

Inkombank, whose turnover of funds this year has been about R50 billion, has been firmly established in the first 10 analogous structures. It has a broad network of branches throughout the country and in Moscow, and it extends services to both domestic and foreign partners.

A distinctive feature of the bank's activity is high dynamism in development and a constant increase in confidence on the part of potential clients.

During the past two years the bank's assets have grown 6-fold to R3.5 billion, not to mention the repeated growth of this key indicator from the time of its creation. And dividends for the shareholders are increasing at a rapid rate. At first they were 2 percent, then 8 and 12 percent, and nowadays have been raised to a minimum of 15 percent.

The level of trust of major investors reflects the rating of Inkombank's shares of stock on the exchanges. There they are being bought up briskly at a price 25-40 percent higher than the nominal price, still having the highest quotation among bank securities. As for the trust of private persons, this can be judged by the considerable increase in the people's deposits: from R6 to R10 million in one year.

It is precisely the growth of trust that has determined to a great extent the steady increases in the statutory fund and the bank's own income. The latter has exceeded R300 million, enabling the bank to establish a considerable reserve fund in the amount of R35 million. It will help the shareholders to avoid possible losses or to keep them to a minimum during inflation and price increases.

The base of Inkombank's stable position is constant expansion of the network of clients, an active credit and interest policy, and improvement of the assets' structure with a view to increasing the reliability of financial operations and the efficiency thereof.

The bank sends a third of its assets to precision machine-building, a third to the raw-materials branches, and the other third to entrepreneurial sectors, meeting the needs of small enterprises, innovation centers, SP's, and cooperatives. In so doing, the bank strives for long-term collaboration, giving preference to granting credits for long-term programs and for basically new technologies and to rebuilding and reequipping production facilities.

In its innovational activity, support is given to the financing of designs and scientific and engineering developments which are united by a common technological orientation, with deadlines for realization. Such an approach will enable the reserves to be used more purposefully and commercial and innovational credits to be united into a single program.

All this is capital—its transfer to the market is all the more urgent. No less significant also is something else,

thanks to which Inkombank has become well known, not only in the business world. Financing of the tour of Mstislav Rostropovich to Moscow and Leningrad, of the International Organ Music Festival, which was held in Moscow for the first time, of evening recitals in memory of Boris Pasternak and Aleksandr Galich, and of Andrey Tarkovskiy Day at his homeland in Yurevets, and of active material support for many creative collectives, children's homes, and public-health institutions—this is a far from complete list of matters which provide the bank with respectability in the eyes of the broad society.

However, Inkombank is by no means inclined to rest on its laurels. A plan for creating an Inkombank group has been developed and is being introduced. It will unite banks that were formed on the basis of branches. In particular, the Inkombank-Kiev bank is being developed successfully. Competitive structures are being formed within Inkombank itself in Moscow. Without this, Inkombank personnel consider, you do not create an atmosphere of genuine soundness for the quality of client services. Deep specialization, expansion of the services granted, and improvement of the bank's infrastructure pursue this goal.

"We have approached a qualitatively new stage," says Deputy Chairman of the bank's board Aleksey Kuznetsov, "when the accumulation of financial capital, which is so necessary at first, becomes in a sense second priority. And advancing to first priority is the problem of integration and of entering the world, primarily the European, financial market."

Much must be done for this to happen. Primarily removal of the restrictions that prevent our commercial banks from establishing close contact with our foreign colleagues. They themselves, being in their own countries the most reliable guarantees of mutual obligations, do not rush to take concrete steps without having reliable guarantees from their partner.

There are not now and, possibly, it will be a long time before there will be, an equivalent of such guarantees for the Soviet ruble. Foreign bankers require of their Soviet colleagues something more considerable. For example, security in the form of real estate or, ideally, gold, or other precious metals. Inkombank still does not have these particular rights, like other Soviet commercial banks....And as long as bankers have not made the agreements, as world experience testifies, wide-scale collaboration will not begin within the economy and among commodity producers.

#### **Banker on Operating Environment, Administrative Roadblocks**

924A0262A Moscow GUDOK in Russian 12 Nov 91 p 2

[Interview with Boris Semenovich Yusfin, banker, by T. Andreyeva, GUDOK correspondent, in Tynda; date not given: "The 'War' of the Banks"]

[Text] We often hear this expression, but who is warring with whom, and why? And what does this have to do with my life and yours today? Boris Semenovitch Yusfin, a participant in the Congress of Russian Business Circles and chairman of the board of the regional commercial bank "Bamkredit," talked about this.

[Andreyeva] Boris Semenovitch, you took part in the Assembly of Banking Circles of Russia that was conducted by the congress. What was said there about the situation in the country? The forecasts of our political scientists are pessimistic in this regard. It would be interesting to hear how bankers assess it.

[Yusfin] In our view, the situation in the country has become still more acute since the August putsch. All economic ties have been severed once and for all. What is more, there is no hope of any government agencies being able to restore them. The forces which were holding back performance of the radical reform have not left the arena at all. The old party structures were simply transformed into new power structures, and Ivan Stepanovich Silayev spoke about this openly in his speech in our assembly. The very fact that he took part in it says much. Today, the government sees business people—merchants and businessmen—as a force capable of reforming our sick economy.

The banking system, according to Ivan Stepanovich, is one of the few new structures helping the country to make the transition to the market. The banks are restoring the ruptured ties among enterprises, departments, and republics. Here is what I was asked: Why do you have branches in Magadan or Chimbent? In order to assist profitable trade. Again in Central Asia, people are willing, for example, to heap vegetables and fruit on the BAM [Baykal-Amur Trunk Rail Line] personnel in exchange for wood that can be used to make containers. And on the BAM there is all the waste wood you could want—collect it and produce those boards.

[Andreyeva] That is, the commercial banks are fully able to become that powerful driving force which will excite business initiative and enterprise, but what is standing in your way?

[Yusfin] The trouble is that they got by with halfway measures in reforming the banking system. It must be said first of all that our country has never had banking legislation. In the capitalist countries—I have seen it—it takes up 20 volumes, while in our country last year the RSFSR Supreme Soviet adopted the Law on Banks that came to only 16 pages. There are many things it did not cover, and that is why sublegal enactments of all kinds are being generated, and they only get in the way. Not only that, but they are trying to take us back to the system in which USSR Gosbank [State Bank] was the sole monopolist, and all the other banks were only carrying out its instructions. This is how it is being done. They have set up a two-level system: the state banks and the commercial banks, but they also converted the former specialized banks to commercial banks as though

it is possible to become a merchant on order! These banks were immediately given a privileged position: First of all, they are supplied credit resources, and they issue credits at a cheaper price.

[Andreyeva] By all appearances, the system is ready for everything—change the flags and signs, repaint it any color you like, just so you do not exercise your authority?

[Yusfin] Yes, we have a unique system. It will adapt to anything you like, but as soon as it has adapted, it begins to suppress everything that does not fit within its framework. At this point, they are trying to bind us hand and foot. They have set up cash and settlement centers everywhere to issue cash and monitor the circulation of money in the region. It was said in the assembly that in Russia more than 10 billion rubles [R] a day get hung up in these centers, and that money drops out of circulation. You can see this even from our own Tynda. We have two banks on one street: Krasnaya Presnya. Yet payments from one bank to the other take three or four days, whereas earlier they arrived the next day. Who needs those centers?

Or take another example. We live in Amur Oblast, and it borders China along the Amur. You would think that God himself would say: Get in the boat, row yourself to the other shore, take something with you, and do business. But if we try to open a foreign exchange account, the chairman of Dalvneshtorgbank in Blagoveshchensk announces: We do not need competitors! We have to go to Moscow to open an account in an international bank. But tell me how to get rid of these people at the level of Gogol's little town, who are ensconced in their armchairs and know only one thing: Hold on and do not let go!

[Andreyeva] It was not for nothing, it seems, that the agenda of your assembly included the problem of relations between the commercial banks and the Russian Central Bank.

[Yusfin] The essence of those relations lies in a failure to understand the role of commercial banks. Once again, they are trying to lay the old functions on us: monitor the fund for remuneration of labor, check the financial activity of enterprises. That is what the Tax Inspectorate was set up for, and it was granted all the powers. Again, they require that we send in a heap of reports. Instruction after instruction arrives from the Central Bank. Those who issue them may be intelligent and knowledgeable people, but they are far from real life. By analogy with the institute for improvement of qualifications, I proposed setting up an institute for retraining personnel. For a start, let them try to sit in our place and carry out their instructions.

They intimidate us with all kinds of instructions, which are like mesh nets. For instance, if the bank is fully staffed, everything is normal, but if five of us, say, do the work of 10, then they impose a rapacious tax on that saving against the wage fund.



[Andreyeva] But, allow me, it is, after all, the internal affair of your collective how you will work and whom you will pay how much. Why does anyone assume the right of dictating conditions to you?

[Yusfin] Just out of habit! In our country, for all of 70 years we have been counting how much the other person had in his pocket. Which in fact is why everyone is poor. They are always trying to check up on us. Right now they are trying to open a staff position for an auditor. And why? If shareholders entrust their capital to us, they themselves will be checking on what we do with it.

We adopted a declaration in the assembly in which the association of commercial banks set forth its view of mutual relations with the Russian Central Bank. Put briefly, this is the essence of it: Let everyone stick to his own job. It is time that we joined the civilized world, and there the central state banks concern themselves only with regulating credit resources and their money backing.

And this once again concerns our relations with the Central Bank. The law states that we can open branches only on the territory of Russia. The old story is repeating itself: A good progressive law is adopted, and then sublegal enactments are issued which nullify its effect. Just tell me who will be hurt if we establish ties with the republics? We are doing what our politicians are utterly unable to do. After all, we all suffer from that: In some places, there are plants standing idle because they do not have raw materials, in other places fruit is rotting because they cannot get rid of it. It is not enough that we have sovereign borders, we also have to surround our own wretched market with barbed wire!

But do you think that they allow us to develop on the territory of Russia? Not even that. We cannot open a branch in Kislovodsk, although the local authorities have consented. The Stavropol bank does not want competitors on its home turf. It was with great difficulty that we opened a branch in St. Petersburg, although the initiator there was "Giproruda," a solid institute. It was interested in the prospect of participation in the working of very rich ores along the BAM, bypassing all the various departments, and Mayor Sobchak's Economic Council gave its "OK." But Comrade Khalanskiy, chief of the city branch of RSFSR Gosbank, "stopped up the embrasure with his chest." He is not a banker at all, but a former party official. So now he is dragging along his party ideology into a market economy.

[Andreyeva] You mentioned that in St. Petersburg they showed great interest in ore along the BAM. We know that this region contains Mendeleyev's entire table, and that is why the BAM was built, in order to extract treasures from the earth to benefit people. But the railroad has not been finished, and no one yet has put his hand on treasure.

[Yusfin] I proposed in the assembly that an interbank consortium be created to develop the territory of the BAM. Today, you cannot count on resources from the

budget at all—they simply do not exist. The state, as the client for whom the BAM is being built, already owes the builders about R140 million! Our bank in part rescued the BAM Construction Administration by granting it a substantial credit. If we joined with other banks, we could invest in the future construction of roads in this region and the development of minerals. Incidentally, foreign companies are rushing here. The only thing that has held them back up to now has been the lack of a law on foreign investments. Now there is such a law in Russia. It took effect on 1 September. In Moscow, I met representatives of the South Korean corporation "Lucky Gold Star" and of Australian companies. They are ready to invest money in our mineral and raw materials base. Moreover, they agreed to process the raw materials on the spot. We have no reason to be afraid of foreign investors; as a rule, they have advanced technology and set up a production operation that is environmentally clean.

[Andreyeva] All kinds of associations and concerns are springing up like mushrooms and quite often it is difficult to figure out which of them seriously intend to do business and which would only skim off the foam. For example, I read recently in a local paper that the investment concern "Baminkop" had been created, but where did it come from, and who set it up?

[Yusfin] I learned about that concern from the same newspaper and asked myself the same questions. And I was simply amazed when I learned who the concern's vice president is. He is Tsaregorodtsev, former chairman of the board of Gospromstroybank. This is a man who in past years put a "spoke in the wheel" of the BAM whenever he could, and if it had been up to him the railroad would not be in service even today. In all those years, he never once visited the BAM, he never responded to our invitation, and now he heads a concern to develop the BAM! It is fantastic, that is all you can say! Who elected or appointed him to that position? And now he is also chairman of the association of commercial banks "Rossiya" and sits on the Presidium of the Congress of Russian Business Circles.

[Andreyeva] Yet your bank was a cofounder of that concern.

[Yusfin] Yes, because business is business, we are interested in what "Baminkop" intends to do and want to take part in it. Our regional commercial bank was in fact set up with the ultimate intention of developing the region. Why must we stand to one side? Especially because it is clearer to us on the spot how and with what all of this should begin.

In our view, we need a state program for development of the region adopted by the Russian government. It would be good to designate the head bank that would finance that program. And we hope that it will be our own "Bamkredit." We need to stipulate at once that half of the income from the mining of minerals here should be



left to the territory. Only in that way will it be possible to lift up the region and get people out of the barracks.

[Andreyeva] All of this sounds very attractive, but does it not result in exactly what we have had before: the government adopts a program, but only one point in the program will be carried out—the one that has to do with mining raw materials and selling them for foreign exchange? That foreign exchange will plug up the holes in the budget. If the people here live poorly, so much the worse for them....

[Yusfin] Of course, if you allow the territory to be plundered without control, that is how it will be. And that could absolutely occur if you leave the job to people at random. But I think that those times are gone. Now neither the local authorities nor the BAM personnel themselves will allow this. They defended the railroad when people tried to erase the very word "BAM" from the country's map. And today we need to build a center here for protection of the interests of the state and the interests of society. Local merchants and local businessmen also need to join together.

The Americans have a saying: "You never earn a dollar alone." That is something we also need to remember. We are already taking certain steps. We intend to bring together all the Far Eastern commercial banks into a single association. I am convinced that an economic boom will soon develop in our region, and we need to be ready for it. So that life in the future depends only on our own initiative and enterprise.

### Consequences of Republic Currencies Viewed

924A0295A Moscow *EKONOMIKA I ZHIZN*  
in Russian No 47, Nov 91 p 5

[Article by V. Kozlov, section chief of USSR Minfin [Ministry of Finance]: "The Ruble with the Three-Colored Stripe"]

[Text] Reports have been coming in from the Baltic republics, the Ukraine, and other republics that they are introducing their own money. Russia has also announced this. The appearance of the Russian ruble, which is noted for its three-color stripe and will bear the colors of the Russian flag, is awaited. What kind of economic consequences can Russia and the other republics expect from introducing national currencies? And still, how feasible are the decisions to replace the ruble with the lata, the grivna, and other monetary units?

There are two main options for the republics in introducing their own currencies.

First. The foreign currency will be introduced gradually, by an exchange of the existing treasury notes that the populace holds for the new types of money. The old money will be concentrated in reserve funds of banking institutions and taken away later, most likely of all to Russia, for later use or destruction.

Second. The national currencies can be introduced by issuing to the population a portion of their earnings, pensions, assistance, and so on in the new money. In this case, two types of money will be circulating for a certain length of time: the depreciated ruble and the national currency, which has a solid commodity backing.

It must be noted that it is impossible to print enough new bills soon enough, and the republics, most likely, will take the second route. This is fraught with serious complications in monetary circulation in the consumer market of neighboring republics, since a vast amount of the devalued money will pour practically unimpeded into their territory. Moreover, the introduction of "their own" currency in one republic will lead to the appearance of it also in other republics. The unified monetary credit system for the country will begin to collapse. A multiplicity of rates of exchange will arise. Fluctuations of these rates and, as a consequence, of prices for commodities and services which can affect production and trade extremely adversely are inevitable.

The People's Monetary Savings and Commodity Reserves (at the end of the year, in billions of rubles)

	1980	1985	1988	1989	1990	1 Oct 91	Increase, billions	Percent
People's savings,	229	320	426	488	568	861	293	151.58
including:								
deposits	157	221	297	338	381	598	217	156.96
cash on hand	51	69	88	105	133	186	53	139.85
Gosstrakh* policies	14	19	24	24	24	36	12	150
state bonds	7	11	16	18	25	33	8	132
certificates			1	3	5	8	3	160
Commodity reserves in trade and industry	67	98	82	82	72	124	52	172.22
Commodity reserves per ruble of the people's monetary funds	0.29	0.31	0.19	0.17	0.13	0.14		

\*State Insurance

Is separate monetary circulation possible at all? Indeed, our country is observing a major migration of money, especially in such large cities as Moscow, St. Petersburg, and the capitals of the republics. There is a seasonal migration of money. To confine monetary circulation to some one region is practically impossible. One cannot protect a republic consumer market by introducing one's own currency if exchange thereof will not be restricted. Restrictions will lead to currency speculation.

There is no clarity also in such questions, which are fundamental for money-circulating organizations, as:

1. How will mutual settlements between the republics be conducted with a fragmented monetary system?
2. How are mutual rates of exchange determined? What kind of currency will become the reserve currency? How will customs be organized? And the creation of numerous exchange offices? These also will involve excessive expenditures.
3. How much money is needed for exchange for the population of each republic? Obviously, it will be necessary to make a registration of ready cash.
4. In what way will prices be established?
5. What is to be done with the banknotes already issued at various rates of currency exchange?

If answers to these questions are not found, then poorly thought out actions can violate right away monetary and financial ties between the various republics and the enterprises of the various republics. And if all the necessary expenditures are considered, then it will scarcely be commensurable with the positive effect that is expected. And indeed budget deficits already are enormous.

And what situation must be expected in the consumers' market?

It is no secret that if one of the republics that joins the ruble zone unilaterally raises prices and earnings, then, it is true, its consumer market will win out from this action for only a fairly short time. Indeed at first a correspondence will be restored between the amounts of commodities and the amounts of money.

But very soon the neighboring republics will, in turn, raise prices (possibly even to a still higher level), and the "winnings" will go to the other republics. In all cases, an enormous amount of money will be presented for Russian commodities, and the distortion in the relationships of demand and offers will then be preserved here for a fairly long time. In the final analysis, everyone will lose: the ruble will be quickly devaluated because of high prices.

The amount of money that is on Russian territory is more than 60 percent of all the money that has been put into circulation. The announced marking of the Russian

ruble will lead to a final collapse of the consumers' market for all the other regions, including those that enter into association.

If the former Union republics convert to their own currency, the center and, in essence, the RSFSR will have to take energetic measures quickly to protect the internal consumer market. These measures, in our view, should be reduced primarily to the establishment of strict customs control on the borders with the states that have introduced their own currency, and also to a cessation of the reception of postal and other monetary transfers in rubles and of payment for securities that were issued in other states. It will be necessary to convert to settlements at world prices for the output delivered.

It must be considered that Russia is the main supplier of energy carriers and possesses a developed industrial potential. Under these circumstances, the ruble will at once become the reserve currency. International practice indicates that, in an absolute majority of countries, there is statewide regulation of monetary circulation with a monopoly for the issuance of securities by the central bank, which is usually accountable to parliament. Does our Union parliament have the capability for this?

## INDUSTRIAL DEVELOPMENT, PERFORMANCE

### Economist Bunich on Approaches to Industrial Privatization

924A0303A Moscow TRUD in Russian 6 Dec 91 p 2

[Interview with P. Bunich, member of the Presidential Advisory Council of the Russian Federation and president of the Alliance of Lessees and Businessmen, by A. Chereshev; place and date not given: "Who Will Get the 'Broken Chairs'?"—first three paragraphs are TRUD introduction]

[Text] On 30 November, TRUD published in the department "View From the Sideline" an article by V. Belotserkovskiy, staff member of the radio station "Svoboda," entitled "To Capitalism Via 'Collectivization of the Factories.'" In it, the author proposed his own approach to the privatization of state property being carried out in our country. In his opinion, conversion to joint stock companies is inapplicable for us. The only solution is to transfer enterprises to those who are working in them at the moment.

In our view, V. Belotserkovskiy's article is very interesting. In the West, it is fairly rare to come upon advocates of transferring the factories to the workers. But many of the author's conclusions seem debatable when applied to the specific realities of the present day.

Our correspondent asked P. Bunich, member of the Presidential Advisory Council of the Russian Federation and president of the Alliance of Lessees and Businessmen, to comment on the article.

[Bunich] The author of the article proposes turning the plants and factories exclusively over to those workers employed in them. Such views also exist in our country. And I would say that this idea has, unfortunately, also been reflected in laws.

[Chereshnev] Unfortunately?

[Bunich] Precisely so, not fortunately, but unfortunately. Because it would then turn out that these factories are as it were like feudal estates that have been built and belong to the particular work collectives. Yet independently of where we worked, after all, we received an identical niggardly wage. The state used that to fleece us and created the centralized financial fund and invested it and distributed it among various production operations. And that person who worked in the poorest enterprise quite possibly worked far better than the one who worked at the richest one. And someone, say, working in science, would not have enough at all under V. Belotserkovskiy's scheme.

[Chereshnev] But the author nevertheless presents definite arguments in support of his theory.

[Bunich] This is the author's line of argument to support his conclusions. Those people whose jobs do not associate them with property (soldiers, pensioners, military officers, physicians, teachers, and so on) would be just as poor as they are today when the enterprises are turned over to work collectives. But, the author goes on, profit would come from the operation of those enterprises, and there would be a tax in proportion to it. The tax would grow, and the compensation to those who are "not associated with property" would increase. That might actually be the case, but it would not turn the people receiving the compensation into owners. That is, they would be equal in their wages and would remain social outcasts when it comes to ownership.

Another argument is also made in the article. Some, he says, will get a brand new enterprise, while others will get a shoe shop in which there is nothing except, let us assume, a tattered chair. The author goes on to greatly simplify the problem. He says: But on the other hand the tattered chair requires no outlays at all, whereas for large-scale production.... But that fact does not even out matters at all. It is not in vain that all humanity is striving not for a tattered chair, but for a good plant. After all, one could have very large capital and comparatively modest outlays.

There is also a third argument. Let us suppose that after all it has been decided that the land is to be given to the peasants. And V. Belotserkovskiy says by analogy: Give the factories only to the workers! True, the decision has been made to turn the land over to the peasants, but not, after all, on an equal basis. Land in the middle of nowhere and land in the Kuban, you will agree, is different, and, of course, it will be given out in different proportions to different people. So when they say "peasants," they have in mind all people working in agriculture. That is, if applied to the city, not only the person

who works in the enterprise (and his family is left without a share), but those of all ages. Everyone will receive an allotment: from the smallest person in the family to the pensioner. What is done with the property obtained is another matter.

[Chereshnev] What route to privatization do you consider optimal?

[Bunich] All state capital needs to be taken. For example, that of Russia. Leave perhaps some 15 percent of it on the basis of "render unto Caesar what is Caesar's." The property of military units, libraries, clubs.... There is no need to privatize them. Let that remain state-owned, including municipal property. Divide the rest into two parts. Distribute half gratis. To every person equally, regardless of whether he is a physician or assembly line worker. And sell the other part. Theoretically, of course, it all ought to be distributed. But there is academic theory and there is also our life. It has to be taken into account that there is an immense amount of money on the consumer market today. We have become the first country in the world which cannot keep up in printing bank notes. That money has to be calmed down somehow, this "highest wave" has to be eliminated. There is today no sound way of doing this except selling state property.

Unfortunately, in a certain sense we have already been proposing embarking on the road proposed by V. Belotserkovskiy. Take, for example, Moscow, where, in my view, they want to make a present to the workers in the trade sector of a number of Moscow stores; the price is 1,000 rubles [R] per square meter—which is a miserly price in present times.

The first problem is that only personnel in the trade sector acquire ownership. And the entire remaining population receives nothing. Logic requires that the shares in privatization should be distributed to the entire population. Where it is to be invested is another matter. Here again, a certain segment, a certain caste, and, we must say, not the poorest one, gets wealth before others and pays nothing. And whoever receives the wealth earlier will also get richer and do it quicker. In the present situation, such a measure could evoke a harsh reaction and cause a social explosion.

In essence, this version is close to what V. Belotserkovskiy is proposing. That is, the Bolshoy Theater should be turned over to the performers, the "Luzhniki" to the soccer players, the Kremlin to Gorbachev or the deputies. And even the spacecraft to the cosmonauts. They will never live in poverty again. Or take power plants. They have very few people and immense capital. So everyone would become a multimillionaire. And be assured that they would find the means to maintain their power plant.

Another point. It has been proposed that the Moscow privatization fund decide by its own decision to which of the workers in the trade sector the stores are to be given. But by what criteria? That will be a subjective selection,

which will result in dissatisfaction within the trade sector itself. The stores, after all, differ from one another. Some are modern and well-equipped, some are below the street. As a consequence, some automatically would get even a supermarket, while others would get an old cash register and 10 square meters of space. The result: There will inevitably be disputes and disagreements.

And then privatization of points of sale is not a panacea. The process must take place everywhere. Not only in distribution, but also in production.

Although, of course, the trade sector is a sector which by its very purpose is made to order for small enterprises. Here again, this road seems reasonable. Some 20 percent—the largest stores—privatize on shares. After all, in this sense trade does not differ from the metallurgical industry or, we assume, the chemical industry. The other 80 percent of the stores sell one by one. At market prices.

### Ministry of Metallurgy Changed to Corporations

924A0296A Moscow *EKONOMIKA I ZHIZN*  
in Russian No 47, Nov 91 p 4

[Article by Nikolay Nikolayevich of GUGIS: "Is It a Replacement of Signboards or the Path to the Way Out of the Crisis?"]

[Text] And so the USSR Ministry of Metallurgy has finished its activity. Two corporations of the producers of ferrous and nonferrous metals—Roschmet and Rostsvetmet—have been established in Russia, and a Department of Metallurgy is being created within the RSFSR Ministry of Industry.

How desirable is this reorganization, and what are the prospects for developing these branches of the economy? Vice-President Nikolay Nikolayevich of GUGIS ponders these questions.

First of all I would like to dwell briefly on the general state of affairs in the industry. Right now a rather dangerous situation is taking shape with regard to providing the country's economy with metal products. During January-October alone steelmaking was reduced by 15.2 million tons, the output of rolled ferrous metals by 11.1 million tons, steel tube by 1.5 million tons. Because of this, many machinebuilding enterprises and construction organizations were practically idle, and their working collectives worked at less than full capacity. An analysis shows that the drop in production will continue for the near term.

A step has been taken in the right direction, in my opinion, under these complicated conditions. Today attempts by state-control bodies to interfere in the enterprises' economic activity obviously are doomed to collapse. A department of the RSFSR Ministry of Industry has been called upon to develop and implement a state policy in the area of metallurgy, primarily by economic methods.

The enterprises themselves have at their disposal organizations for efficient interactions but they are not commensurate with the great opportunities for stabilizing production. I think, and it is clear to the nonspecialists, that the ferrous metallurgy that has been created as a unified complex over the decades cannot function without precise coordination of its activity.

Our corporation was founded by a decision of a constituent assembly of representatives of companies, concerns, joint-stock companies, and associations of both the producers of and the customers for metal products. Its purpose is to create the economic prerequisites for bringing the branch out of the protracted crisis by the organization of mutually advantageous, businesslike collaboration between the participants of a contract, and the conversion of enterprises to civilized market relationships. The corporation's tasks and functions were defined by an ukase adopted 4 October 1991.

There cannot be any talk about replacing signboards, primarily because the corporation has not received from the state any kind of authority for control. The ukase envisions the basic tasks to be: coordination of the activity of the participants, the development of recommendations and methodological papers, an extension of engineering services, the combining of financial resources, and representation in organs of state control on behalf of the participants.

Today we see the corporation's main task as being that of providing, by its actions, for coordination in the work of the corporation's participants and of reducing to a minimum the conflict of their interests and the mutual harm caused thereby. In our view, the corporation must be occupied in coordinating and correlating consolidated inventories, annual production programs, intrabranched cooperation, and the deconcentration of major repairs.

Naturally, such a fundamental question as providing for the production of coking coal, good quality iron-ore raw material, refractories, and scrap metal will get our attention. The corporation is ready to assume responsibility for this.

The mechanism for coordinating the enterprises' production activity excludes commands and orders. It is built on the basis of mutual agreement of the directors on the most important questions. Only in this way can mutually acceptable results be achieved. Let us take as an example shipments of coking coal. Today each one tries to solve this problem with its own means. One sends refrigerators to the coke workers, another video tape recorders. The Altay Byproduct Coke Plant managed to get one and a half times the norm for fat coal. And where will this path lead to tomorrow? For this action has not added raw material, and nobody has been guaranteed that somebody else will not intercept his coal. New constructive elements for collaboration must be created.

In the area of investment activity, the corporation intends to change completely the old style of work, which was based upon the distribution of various funds. We

want to conduct here a dynamic policy, proceeding from today's actual conditions, and to reduce the investment cycle greatly. The basis of this work are the development and execution of a set of engineering, financing, currency, organizational, and other measures, which should provide in minimum time and at least expense for realization of the investment programs of metallurgical enterprises and should improve the economic status of the customers. We intend to use this integrated approach for solving other problems of the industry.

The necessity for self-regulation in the area of wages is being felt sharply. Right now earnings at many enterprises practically do not depend upon the final results of the work. And they fluctuate within a fairly wide range for identical working conditions and equal yield. For example, during September-October of this year the ratio was about two to one at the NPO [Science and Production Association] Tulachermet and the Novolipetsk Metallurgical Combine. Of course such a situation is not normal.

We absolutely must evaluate comprehensively the situation from the point of view of the privatization processes that have occurred. Repeated meetings with the supervisors of enterprises indicate that the conversion of large metallurgical enterprises to joint-stock companies is receiving the greatest support. Although many different problems arise here. The corporation is faced with organizing their methodological and practical solution. It must be emphasized that just converting to joint-stock companies does not in and of itself yield anything if economic accountability relationships at the enterprises are not intensified and the calculation of expenditures is not fine tuned.

#### **Production Association's Conversion Progress Detailed**

924A0269A Moscow DELOVOY MIR in Russian  
2 Dec 91 p 8

[Article by Aleksandra Kovinskaya: "Ovens Instead of Guns"]

[Text] That is what Igor Artyukh, general director of the "Toriy" Scientific Production Association, asserts. He is president of the Union of Industrial Enterprises of Moscow that was established last year and brings together 105 commodity producers. They have not set quotas for membership in this organization and are accepting all those who wish to join, including representatives of private business. The annual dues set by the by-laws are 1 ruble [R] from each worker of the registered enterprise. Accordingly, the collective of the "Toriy" Scientific Production Association allocated about R7,000.

Recently the government of Moscow in the person of Vice Mayor Yuriy Luzhkov signed an agreement with the Union of Industrial Enterprises on cooperation "in

providing the city with consumer goods, the joint realization of urban projects, and other measures to improve the standard of living of Muscovites."

According to this document, the Union obligates itself to produce consumer goods for R500-750 million even in the next 2 years. It seems to me that the most impressive thing in the stated list is the idea of providing the capital city's construction industry with 25 lines for the production of bricks. The productivity of each is 3.5 million bricks a year. Since the drying is done with a fundamentally new technology using ecologically pure microwave energy, the rejects are practically reduced to zero.

As tests showed, the brick dried in the magnetron facility of "Toriy" Scientific Production Association has the mark "300" and hence is four times stronger than its Mozhayskiy, Cheremushkinskiy, or Butovskiyy "colleagues." In addition, the installation does not require significant capital investments, as in the case of the use of traditional gas ovens, or huge areas as in drying under "natural" conditions.

What do these 87.5 million bricks a year mean for the housing of Moscow with its perpetual shortages, if, as specialists estimate, an average four-room cottage requires 25,000 and a small production structure 300,000? It will not be necessary in this case to spend foreign exchange for the purchase of imported technologies or entire brick plants. Also, it will subsequently be possible to deliver their own lines abroad.

Will the Union of Industrial Enterprises be able to keep its word and "saturate" the capital and the area around Moscow with high-quality building material? By the way, the first 17-meter installation has already been set up and checked out and is functioning.

It is impossible to enumerate point by point the specific contribution of all 105 enterprises to the realization of the agreement. But the defenders of the "Toriy" Scientific Production Association, for example, have already overcome their complex of fearing conversion.

This, by the way, is also helped by the support of the government of Moscow. The municipal council decreed the allocation of R500 million next year, primarily for enterprises subject to conversion, to help them shift to the development and series production of goods needed by Muscovites. They also stipulated other points of mutually advantageous cooperation. All of this must yield its fruit in the near future.

But practical results of conversion are already apparent today in the association headed by I. Artyukh. An acoustic system "Elektronika75AC-065" of the highest quality group is produced. Its technical characteristics exceed those of analogous output of the most renowned and prestigious firms.

A number of unique medical instruments have been created. They have organized the annual production of

more than 70,000 through-the-skin electroneural stimulators, "painkillers" that are very effective and simple to use. The "Elektronika Terma," a small microwave apparatus for physical therapy in the form of a portable unit, meets world standards. And the surgical device "Hemostat" using an ultra-high frequency scalpel makes it possible to perform extremely complex operations on organs with a large number of blood vessels in an extraordinarily noninvasive manner.

Electronic accelerators of different modifications are called upon to resolve the problem of the ecologically clean and faultless sterilization of medical instruments (including disposable syringes), all kinds of secondary wastes offered for sale, and food products stored for a long time.

This is not the first year that the "Toriy" Scientific-Production Association has dealt with the intensive development and improvement of integrated sources of energy that make it possible to switch to the latest technologies for the needs of the national economy. Thus, a device for the thermal processing of cocoons of the mulberry silkworm makes it possible to avoid unfailing losses of silk thread that previously amounted to as much as 15 percent. The use of microwave energy makes it possible to obtain high-quality raw material. The equipment literally pays for itself within 3 weeks.

Or the "crystal" dream of the contemporary housewife—an ultra-high frequency oven. The enterprise plans to issue a batch of 2,500 by the end of the year, whereas it is anticipated that the annual mark of 150,000 will be reached by 1995. To compare: last year the entire domestic industry supplied fewer than 70,000 ultra-high frequency ovens. But 5-7 million of them will be needed just to saturate the consumer market in Russia. By the way, whereas the design of these ovens is still not up to that of foreign countries, they have no equal from the point of view of practical use.

Something else is worrisome: will not the wonder-ovens and other technical-scientific progress turn out to be "golden," beyond the pocketbook of the ordinary consumer? If completing products are acquired in the markets that now exist, then this will be the case. The members of the Union of Industrial Enterprises see the solution to be in the establishment of their own market, in close mutual assistance with the necessary supplies, raw materials, and nondisposable items, and in the establishment of a data bank.

Here they also consider the rigid limitation of average wages to be a curb on successful work. Average wages do not reach R400 for collectives employed in the defense industry. It is understandable that not a single legislator will raise the question of increasing the military budget under the conditions of the reduction of "guns." But since the period of the transition to the market has been somewhat drawn out here, it is necessary that the workers in this part of the public sector not find themselves in the position of "second-class" people and thus

that one allow part of the output that they issue to be sold to small enterprises and cooperatives at contractual prices.

"The market will not tolerate artificial restrictions. Private, cooperative, and state kinds of ownership must fairly be put under equal conditions," said I. Artyukh in specifying the position of the association. "We invite to our Union all those who need dependable partners."

Address of the "Toriy" Scientific Production Association: 117393 Moscow, ul. Obrucheva, 52.

Contact telephone: 332-29-41. For all questions having to do with the Union of Industrial Enterprises of Moscow, contact its executive director, Anatoliy Grigorievich Drogalev, telephone: 299-58-63.

### Defense Plant Converts to Personal Computer Production

924A0270A Moscow *DELOVOY MIR* in Russian  
9 Oct 91 p 8

[Article by Aleksandr Drozdov under "Conversion" rubric: "A Plant Changes Its Name"]

[Text] The Cheboksary Instrument Plant is a creation of the military-industrial complex. The time came when the defense industry began to live quite uncomfortably.

A dramatic decline in the volume of basic production began in 1989. The assimilation of new technologies and the reorganization of production helped plant personnel to cope with the difficulties.

Even before, the Cheboksary Instrument Plant put out plastic graters for vegetables, school rulers, and office products. And in recent years here, they mastered the production of "Khevel" thermal fans and "Azamat" radio-tape recorders. But such minor things as those were not sufficient to make up for the losses from the removal from production of instruments that cost several million each. So the offer of the "Sespele" youth center to cooperate in the manufacture of "Delta" personal computers could not have come at a more opportune time.

At the present time, despite the general decline in the economy, the plant has rather good indicators: the rate of growth in the volume of gross output was 120.3 percent and for the first 7 months of the current year 1 ruble and 12 kopecks of consumer goods were produced per ruble of wages. Those same figures were only half as large last year. It has mastered the production of new modifications of goods already issued and is planning to produce toy guns, timers for washing machines, and wood-working lathes. Nor is the plant forgetting about its basic output—navigation instruments for aircraft, which account for 50 percent of the total volume of production. True, profitability is still negative here.

The plant people are hoping that the law on conversion will finally be passed and that complex aviation equipment will be needed for civilian aircraft. It is also necessary to obtain the permission of the Government of Russia.

The plant intends to be solidly integrated into the world economic system. Installing instruments in finished products, the enterprise is already trading with other countries. Now comes the establishment of direct contacts.

Soon the Cheboksary Instrument Plant will change its name. The beautiful word "Elar" won in competition. That is the name of a satellite of the planet Jupiter. Trademarks of the firm "Elar" have been developed and registered and negotiations are under way on the certification of the output produced at the enterprise so that it can go to the world market without price discrimination.

#### **Donetsk Institute Converts to Consumer Plastics**

924A0270B Moscow DELOVOY MIR in Russian  
2 Nov 91 p 8

[Article by Vladimir Volovnenko: "An Institute Turns Into a Firm"]

[Text] The Donetsk Plastics Institute, a large research center of union importance, until recently has, as it were, been in the shadows in the city of one million. That is understandable: here they worked primarily for the defense industry. But times have changed and conversion has arrived. Having "taken off its shoulder straps," will the research institute not be left without a piece of bread? After all, there are such examples.

Doctor of Sciences Mikhail Klebanov, the institute's deputy director for scientific work, shows his own glasses as his first argument. Light as fluff, they are extraordinarily strong, because the lenses in them are made of a polymer compound developed by Donetsk chemists. Disposable syringes are another example among those that are talked about. A drop of sealing glue is applied where the steel needle is linked with the plastic housing. Considering the fantastic rapid action of plastic pouring machines, the selection of the appropriate formula becomes quite a technical problem. Actually this is not really a problem for the citizens of Donetsk, for both of the named developments were purchased by the medical industry and are yielding income.

"It is fortunate that we are going into a period of conversion along with our old partners, former 'mail boxes,'" explains the interlocutor. Whereas "before that" the enterprises produced special equipment for space, aviation, the nuclear branch, and communications, for example, today they are asking us for practically those same materials to give the consumer market boats, yachts, personal computers, musical centers, and collapsible pools.

The spectrum of innovations ready for use with the mark of the Plastics Institute is exceedingly broad. Whereas on

the one pole are the epoxy materials for the hermetic sealing of microcircuits (the required purity is no more than 1 gram of impurities per ton of the substance), on the other are everlasting water pipes and "fantasy" plastic suitable for home tubs. And the polymers with a memory are simply astounding.

—At such a level, the institute must very soon feel an interest in receiving "greenbacks," in earning foreign exchange, I risk to presume.

—Negotiations are proceeding all the time but basically they are, alas, contracts for one-time deliveries, complains Mikhail Klebanov.

—They do not know us in the world market and hence they do not have much confidence in us. We ourselves have to pay authoritative firms just so that they will take our samples for testing. But the West has long been accustomed to advertising, packaging, and hourly charts of deliveries of small batches.

—So is it still too early to go to the market, where there are such "whales" as Mitsubishi, Shell, and Union Carbide?

—Well no.... The giants generally do not like to deal with small change. There will always be a place for a seller of a highly specialized commodity and for the needs of household electronics. We could move from one-time contracts to the category of permanent supplier and possibly that of a small and growing firm.

#### **Auto Plant Director Airs Problems, Prospects**

924A0301A Moscow PRAVDA in Russian  
6 Dec 91 pp 1, 2

[Interview with V. Kolomnikov, general director of the Moskvich Production Association, by O. Mikheyev, PRAVDA correspondent: "Aleko Goes to the Starting Line"]

[Text] Hard times have come upon the giants of our economy—large plants and associations. In the former, "command" days, their clumsiness and inertia caused them trouble. What can be said now, when the time of radical breaks and assimilation of rapid market turnover has come?

Not everyone looks on in dismay in the face of events, however. There are plants which, even in today's serious situation, are not losing people, are not cutting back, but are even increasing the output of goods and are working with perspective. One of them is the Moskvich Production Association. V. Kolomnikov, its general director, answers our correspondent's questions.

[Mikheyev] Valentin Petrovich, your automotive assembly plant has hundreds, if not thousands, of suppliers at all ends of the former Union, including all of the, again former, union republics, which have become sovereign states. How do you succeed in maintaining the



conveyer flow under the conditions of the crisis in the national economy and the severing of the partner-like ties?

[Kolomnikov] The crisis has, of course, touched us. Our capacities now make it possible to produce 160,000 motor vehicles a year, and we are producing only 108,000—there are simply no resources for the rest. This is more than last year, however. On the whole, the ties of partnership with the suppliers of completing items and materials are being maintained for the time being, mainly due to the fact that there is an unlimited demand for our products.

The "games" of the politicians, however, have the ability to torpedo even the most vital economic interests. As an old economist, I know full well: we all need each other as commodity producers and consumers, and these mutually advantageous ties will help us to hold on to the plan in this time of crisis and disintegration of the country. A short-sighted policy, however, has again gripped the country. Many of our supplier plants in the republics which have become sovereign states over night are being driven into a corner by their governments, presidents or parliaments.

Here is just one of many examples—the Lutskiy Plastics Plant in the Ukraine. The local organs of authority are twisting its arm and forcing it to make consumer goods from imported raw material, instead of parts for the Moskvich. Compare: soap dishes—and motor vehicles, for which people are waiting impatiently in line. The owners of Moskvich cars which are traveling Ukrainian roads are not getting the spare parts made of that same plastic.

Every "torpedoing" of this kind on the part of the cooperating plants, which are "guilty without guilt," is capable of shutting down the main assembly line for a long time. The other day we produced 152 motor vehicles in a day instead of 500 according to the schedule, and there was one instance when we shut the entire plant down for a day.... What if each one of the thousands of cooperating plants began to rain such blows on us? We will simply leave the country carless.

There are also simply disgraceful incidences, when the policy argues not only with the economy, but even with the elementary norms of the law. In that same Ukraine, the government, having "registered" all the union enterprises as republic property, in the heat of the moment also appropriated our Moskvich technical service station, along with the stores. This is not union property, it belongs to the AZLK [Moscow Motor Vehicle Plant imeni Lenin Komsomol] collective. These facilities, worth over 30 million rubles [R], were built with our money, with the earned profits and with funds that were loaned. In what civilized country would a democratic government permit itself such expropriations?

[Mikheyev] The sectorial union ministries are living out their last few days, in hard times, but serving for many as "umbrellas" in the inclement economic weather. Is

AZLK ready to swim fearlessly in the market ocean without the "patronage" of the dying Ministry of Automotive and Agricultural Machine Building?

[Kolomnikov] The time for sectorial ministries with their former operation-command functions has long passed. Individual, independent enterprises, working in the same sector, in my opinion, need some sort of body coordinating the commercial and scientific-technical policy within the framework of the unified economic area of the republics which have signed an Economic Treaty. The enterprises, if they have come to realize this need, should themselves, without any pressure from above, create this body and the mechanism for its functioning.

Our sector has realized this, and the enterprises recently created, of their own free will, the Avtoselkhoz mash Joint-Stockholding Company. It will solve three problems. The first is to control supplies through cooperation. All the sector's plants are so tightly bound by them that today it is a question of life or death for any assembly plant. We supply each other with hundreds of thousands of parts, units and materials. Let us say, only VAZ and KamAZ will give castings, forged pieces, carburetors and motors for AZLK.

Plants assembling passenger vehicles and trucks, tractors and combines, are developing their new models, but the manufacturers of many completing parts and materials have been lagging behind, and are not in a position to provide what is needed. The assembly plants have to purchase these components abroad. Compare, however, the cost of centralized purchases from the manufacturers at wholesale prices, which our holding company will do, and how much it will cost for each plant to purchase small parts from middle-men. The second variant will eat up 5-10-fold more of the country's currency.

Avtoselkhoz mash-Holding will also analyze the level of profitability of producing completing parts and materials, concentrating this information about all the suppliers. This will help the assembly and unit plants to be competent to negotiate with them about the price level of completing items (and they can also be spare parts) and to keep them from inflating these prices monopolistically. Finally, the third problem of the holding company is to assist in working out an efficient scientific-technical policy. Someone has to keep track of information on the new structures, technology and materials appearing in the world.

[Mikheyev] Let us turn to your plant. How prepared for today's situation has the AZLK proved to be?

[Kolomnikov] Remember that at one time the directive bodies set the task: to update fixed capital by 70 percent before 1991? We updated it by 82 percent. We installed the most up-to-date automated equipment—flexible systems, robots, etc., and brought about automation of the entire production cycle, from beginning to end—from the scientific studies and planning to the output of a series product. Moreover, a sizable part of the currency



was taken, not from the State till, but as a loan, and it should be paid back by 1995.

They fought us everywhere they could, in business and outside it: they said that we had been renovating for a long time, and were slow in developing the output of the Moskvich 2141 model. While they were fighting us, we were working. Now the renovation of the plant is close to completion, and this is the fourth year that this model has completely replaced the preceding one on the conveyor, while, let us say, the Zaporozhye plant is still producing the Tavriya, alongside the obsolete Zaporozhets, and the Izhevsk plant is only making a few Orbit vehicles a day.

I say this not to reproach our colleagues, but to explain how difficult it is under our conditions to modernize production completely and develop the output of new vehicles.

The efforts made by the entire plant collective toward its radical renovation have now yielded fruit.

[Mikheyev] What do you see in the company's future?

[Kolomnikov] The whole point is, that today it is senseless to talk about the future of one company. One by one we will be lost this way. We have another idea. We are creating the Aleko Industrial-Financial Union, which unites AZLK with all the cooperating plants on the basis of close horizontal ties, which will replace the dying vertical ones.

The meaning of this union is in mutual financing. Let us suppose that we, the motor vehicle builders, attracting the money of the consumers because of the high demand for motor vehicles, will give an "injection" to the development of the "poor" supplier enterprises from the related sectors, which are lagging behind in development, and which must be "given a push" or have their load lightened, so that they can all get on their feet together. We will do this by purchasing the shares of these partners. Conversely, the wealthy cooperating plants, by purchasing our shares, will thus help us. Aleko will also have its own banks, insurance companies and businesses, and it will have enterprises yielding a quick profit—service, tourist, etc.

As one of the stages on the path to the industrial-financial union, we are converting AZLK into a joint-stockholding company, in which a considerable part of the shares will be transferred to the personnel, and approximately one-third to one of the leading Western automotive firms.

[Mikheyev] An enterprise to produce motor vehicles with a forced conveyor rhythm is not so sweet for the working man. How does AZLK succeed in retaining personnel or the conveyor in holding on to temporary workers and quota workers?

[Kolomnikov] Our plant has been operating without the so-called quota workers for three years now, although not against its will. In general, I have my own opinion on this

matter. The plant is short about 3,000 persons today. These are well paid work places. By accepting people "from outside," out-of-town workers or even unemployed Muscovites, we could train them to be good specialists, who are in short supply, and never have to fear unemployment.

We are "combating" turnover in a simple way: the firm should be just as necessary to the worker as the worker is to the firm. We have introduced a contract system, which makes it possible for a worker to buy a Moskvich on the installment plan, over several years. This year, personnel wages were doubled. We were permitted to do this, since we cover the entire increase in the AZLK consumption funds through increasing the goods produced. I emphasize: in comparable prices, not through making the Moskvich more expensive.

Moreover, this is not an inflationary increase in wages, since the enterprise personnel are buying, directly at the plant, products and industrial durable goods worth approximately 1.5-fold more than the wage fund. That is, our AZLK ruble "weighs" 1.5-fold more than its face value.

There is another factor which ties the people strongly to the firm. We construct a great deal through our own forces, and on the whole for the company, 1,500-1,600 apartments a year, including 1,000-1,200 in Moscow. Today we have 800,000 square meters of housing, three dozen kindergartens, a large sports complex, a Palace of Culture, polyclinics, etc., on our balance sheet.

The sports complex and Palace of Culture alongside are our pride and joy. There is hardly any better plant-operated sports-health base in the country. The palace, for winter-type sports, the stadium, the indoor tennis court and the all-purpose palace of sports with a swimming pool are like a magnet drawing many thousands of inhabitants of neighboring regions, and indeed, they come from the other end of Moscow to us. Soon we will also open a large billiards room.

And here they want to take our pride and joy away from us.

[Mikheyev] How is that? Again the old idea, "take everything away and divide it up"? Didn't the plant workers, using plant funds, build it?

[Kolomnikov] Yes, they want to seize our life's blood. This is the new Moscow executive power, which I respect, and I believe that in these difficult times the city will need it. For some reason it shows interest, not in its own neglected economy, which should have been put in order a long time ago, but in someone else's property, where everything is well adjusted. I think that this is a false step.

[Mikheyev] Valentin Petrovich, the PRAVDA readers are interested in learning from you how the output of motor vehicles will increase.

[Kolomnikov] In two or three years the Aleko capacities will double, and we will be able to produce 300,000 motor vehicles. Of them, 180,000 will come off the conveyer in Moscow. After the engine plant is put into operation at the end of next year, we will start to produce the new 2142 model (a sedan) with a new, more powerful engine.

[Mikheyev] This is the outlook for the future. What will it be like in eight to ten years, at the turn of the year 2000? Will AZLK—Aleko—be able to develop a truly competitive model?

[Kolomnikov] The Istra, a new generation of car, is being created, and we will not be ashamed to put it on the world market at the beginning of the 21st century. This is a car of a completely different level, tomorrow's level of development of domestic machine building, electronics, petrochemistry, new materials and technology. That is why we have such a great need for the Aleko Industrial-Financial Union. Together we will climb one rung higher. Separately, we will wander up a blind alley, and lag hopelessly behind.

### Italian Firms Invest in Urals Military Conversion Plans

*OW1511120991 Moscow INTERFAX in English  
0750 GMT 15 Nov 91*

[From "Soviet Business Report"; following item transmitted via KYODO]

[Text] Italian Metalle SPA and Financial Project (both of them Italian firms) and Tekhnopark (a Soviet-Italian JV [Joint Venture]) will participate in setting up a technology center in Zarechny, located in Sverdlovsk Oblast. The declaration of intent indicates that their Soviet partners will be the joint-stock company Uralkonversia and the Ural Regional Economic Committee. The technology center will encourage the development and assimilation of new materials and modern technology, especially in the spheres of metallurgy, electronics, food industry, and agriculture. The Italian partners will be responsible for offering financial consultation, selecting Western firms to participate in specific projects, and handling marketing.

## AGRO-ECONOMICS, POLICY, ORGANIZATION

### Public, Private Sector Production Discussed

#### Kolkhoz, Sovkhoz Share

914A0284A Moscow ARGUMENTY I FAKTY  
in Russian No 41, Oct 91 p 7

[Untitled article by V. Marfin]

[Text] *How many kolkhozes and sovkhozes do we have in our country? How extensive is their return? [Signed] E. Yakovleva, Minsk.*

[Response] According to data of USSR Goskomstat [State Committee for Statistics], as of early 1991 there were 52,500 kolkhozes and sovkhozes operating in the country. Last year they produced agricultural goods worth 158.5 billion rubles, or 3 percent less than in 1989. In 1990 kolkhozes and sovkhozes produced agricultural products worth 555 rubles per capita (in 1983 comparable prices), which is 2 percent less than in 1989. The share of products produced by kolkhozes and sovkhozes in total agricultural production output increased from 71 percent in 1981-1985 to 73 percent in 1986-1990.

In 1990 the gap between growth in wages and labor productivity increased. In 1989 wages increased by 10 percent; in 1990—by 12 percent. Labor productivity increased by 4 percent in 1989, but decreased by 2 percent in 1990.

In 1990 the proportion of unprofitable sovkhozes and kolkhozes increased in country as a whole.

#### Production on Private Plots

924A0284B Moscow DELOVOY MIR in Russian  
6 Nov 91 p 3

[Article by Leonid Vashchukov: "Six One-Hundredths in Market Economics: On Agricultural Production Output on Private Plots of Citizens"]

[Text] The private plots of citizens (private plots, farmer enterprises and collective gardening and orchards) yield approximately one-fourth of all agricultural products in cost terms. In 1986-1990 their share in total volume comprised 24.5 percent, including in farming—18.4 percent, and in livestock raising—29.1 percent. Moreover, in 1990 this share increased to 25.9 percent, including in farming production output—up to 19.1, percent and in livestock production output—up to 30.7 percent. In 1990 the population's enterprises produced 31 percent of the meat, 28 percent of the milk, 27 percent of the eggs, 65 percent of potatoes, 33 percent of vegetables and 53 percent of fruits and berries.

As of early 1991 private subsidiary enterprises belonging to the population had 8.4 million hectares of land. They maintained 24.8 million head of cattle (22 percent of the total herd in all categories of enterprises), 16.4 million

hogs (22 percent), 38.1 million sheep and goats (27 percent), 419.3 million fowl (35 percent) and over 1 million horses (18 percent).

In recent years collective gardening and orchards have been more fully developed. In 1990 collective orchards were owned by 12.6 million, and collective gardens—by 6.7 million, families of workers and employees. Moreover, this year city residents were allocated almost 500,000 hectares of land for gardening from among the land belonging to agricultural enterprises.

Moreover, right now in the country the process of creation of peasant (farmer) enterprises is continuing.

In comparison to early 1991 their number has increased by 28,900, or by a factor of 1.7. The area of land allocated to peasant enterprises equals 2.2 million hectares, which is 1.5 million hectares more than on 1 January 1991.

Land is more effectively utilized by the enterprises of the population. Here the productivity of potatoes, vegetable crops and fruits and vegetables is higher than in the public sector. Nevertheless, in recent years we have noted a tendency toward decreased productivity. But at the same time in the enterprises of the population each 100 hectares of arable land achieve gross farming production output (in comparable prices) worth 267,000 rubles as compared to 33,000 rubles in public enterprises, a difference that is greater by a factor of 8.

Livestock production volume in enterprises of the population is increasing at a slower pace as compared to public production. The proportion of meat produced in the population's enterprises has increased in total volume from 32 percent during the 11th Five-Year Plan to 30 percent during the 12th; milk—from 29 percent to 27 percent, and eggs—from 30 percent to 26 percent.

The removal of various limitations in the implementation of the private enterprise in many places, privatization, government divestiture, and the expansion of collective orchards and gardens has contributed to the fact that in recent years in the country as a whole there has been an increase in the size of the herd of all types of livestock found in the private hands of citizens.

A large role in expanding the livestock herd in private enterprises belonging to the population has been played on the local level by aid from kolkhozes and sovkhozes, especially in the areas of supplying livestock feed and of acquiring young cattle and fowl. In 1990 the population was sold 25.2 million piglets (8.2 million or 48 percent more than in 1985) and 939 million young fowl (276 million head or 42 percent more). During the past five-year plan as compared to 1981-1985 the sale of piglets to the population increased by 24 percent and of young fowl—by 26 percent.

However, complications involving the acquisition of feed, the aging of village residents and the migration of young people to the city, and difficulties with the sale of

products, with zooveterinary services and so forth have resulted in the fact that in the village a large proportion of enterprises have no livestock.

In the course of several recent years the plans for the sale of concentrated feeds to the population have not been fulfilled and trade orders for them are fulfilled by less than one-third, i.e. demand is not being satisfied.

The shortage of coarse and concentrated feed forces us to expend food products as animal feed. On the average one kolkhoz farmer's enterprise expends as livestock feed about 50 percent of total potatoes available and over 40 percent of vegetables and melon crops.

But basically the population's enterprises are producing products for their own use. Not enough is being sold to the government. This year we can expect that the population's enterprises, including farms, will curtail the sale of agricultural products to the government. This is related first and foremost to the continuing devaluation of the ruble as well as to the fact that market prices are much higher than procurement prices. Today only consumer goods can act as incentives for the population's enterprises to sell more.

## REGIONAL DEVELOPMENT

### Agricultural Problems Noted

#### RSFSR Harvest—Lack of Support Lamented

924A0283A Moscow *EKONOMIKA I ZHIZN*  
in Russian No 41, Oct 91 p 7

[Article by F. Bogomolov: "The First Commandment"]

[Text] Yes, at one time at the beginning of harvest operations all of the means of mass information reminded us of the first commandment, which basically states that enterprises, having put aside all of its production concerns, must first and foremost fulfill government orders according to plans for the delivery of grain and other products.

This resolution operated clearly for long years. Those who allowed themselves to challenge this either departed their administrative positions or experienced more severe conditions in their futures. Time passed. Talk began on economic independence of peasants not only in production activities but also in product sales. We asserted that the manager is the person who according to his own conviction freely disposes of everything that he has raised, fattened and milked.

Under such conditions how do we build up state resources? The present harvest has posed this question fairly seriously. The fact is that very small volumes of grain crops are being delivered into state granaries. The directors of kolkhozes, sovkhozes and other agricultural enterprises are being named the main saboteurs. Is this true? Let us look at the facts.

As our correspondent reported, I. Pshenichkin, director of Arpedinskiy Sovkhoz, Volgograd Oblast, said the following about economic incentives for grain sales above state orders.

"As of yet for the sale of above-plan grain in 1989 the enterprise has not received two MTZ tractors, a mobile crane and 10,000 standard slate slabs. The government is indebted to the enterprise for last year too. We have no desire to sell anything above state orders because we know based on the experience of past years that we will be tricked."

Such signals have also come from Belorussia, Kazakhstan, and a number of oblasts in Russia.

To confirm what was said above we can quote the words of O. Lobov, first deputy prime minister of Russia. In his opinion, it is essential to procure through imports a minimum of 20 million tons of grain and 4-5 million tons of oil cakes and soybeans. The government sees as its task the implementation as fully as possible of the package of decisions made by the RSFSR Congress of People's Deputies and the republic's Supreme Soviet on developing the agroindustrial complex.

Unfortunately, this year it will not be possible to offer complete government support of the agroindustrial complex. As before, material-technical support for the programs that have been passed is extremely unsatisfactory. The Russian village received cement, rolled metal, steel pipes, slate and other materials in quantities that were significantly less than expected. In many cases supplies have refused to conclude contracts for the allocated capital.

How can we fill state granaries with agricultural products? Here, in addition to well-known conditions (it is true that as of yet they have not been implemented), new conditions are arising. Russia's government has passed a resolution on conditions for the reception of grain in the republic for state storage. The promise is a good one. The owner of the grain who submits it for storage for over 6 months will be given an additional 10 percent of that which is submitted. It is true that we do not know where this additional 10 percent will come from. Perhaps from the grain that is procured abroad?

But even this is not the essence of the innovation. Only those who have fulfilled the established quota of grain sales to the state can take advantage of these conditions. What happens to the stipulation that the manager of the land is the one who truly independently disposes of his product?

No, no matter what one says, under market conditions the relations between the government and farmers must be of a different nature. Here promises and various types of bribes are inappropriate. Concrete actions are needed. Judging by last year's results, promises have just remained promises.

But we will remain optimistic. The fields have produced perhaps not a record grain harvest as compared to other years, but also not such a bad one. It is most important complete harvesting without losses. Ninety percent of it has already been cut. Only 43 percent of the state order of 33.8 million tons has been stockpiled in state granaries. The harvest campaign is beginning on potato and vegetable plantations. Forty six percent of the area occupied in vegetables has already been harvested. Potatoes have been harvested on 65 percent of the area. Harvesting of sugar beet plantations has begun. As of late September 30 percent of the area in this crop had already been harvested.

Thus, this year's harvest is being produced with difficulty. Still, we are hopeful that its fate is being decided today with interest by peasants, city residents, students and soldiers of the Soviet Army.

#### **Rutskoy Remarks During Altay Kray Trip**

924A0283B Moscow SELSKAYA ZHIZN in Russian  
4 Dec 91 p 2

[Article by A. Torichko, Altay Kray: "You Veered Off Course..." Thinks Russia's Vice President A. V. Rutskoy"]

[Text] The vice president spent several days in the Altay, visiting the enterprises of Biysk and Barnaul. Although the main goal of this visit was to become familiar with how the conversion is being implemented, he began his conversation with journalists with a discussion of solutions to the food problem. Readers are familiar with the vice president's point of view. This was discussed in detail in an interview with A. V. Rutskoy (SELSKAYA ZHIZN of 26 November).

My question to A. Rutskoy was a kind of continuation of this interview. "You painted a wonderful future for the development of the country's agroindustrial complex. But when will words become deeds?"

In response he noted three hindrances to the process: we need money, hard currency, and a system of contract relations with mutual deliveries.

Here is another problem. Incompetent workers are in charge of our agroindustrial complex. Under the rubric "Harvest-90" millions of tons of petroleum, gas, timber and coal were exported abroad. But we did not receive goods in exchange.

"Now regulations have been issued," said the vice president further, "dealing with increasing salaries by 90 percent. Administrative directors on the local level are asking where the money will come from; they do not even have enough money to pay wages and retirement pensions."

A. V. Rutskoy also made negative comments about the coming liberation of prices. "They will increase four- or five-fold. If already today a kilogram of sausage costs 160 rubles in Moscow, how much will it cost after the liberation of prices?"

Many questions were directed at the vice president. But the answer to one question, which unfortunately was anonymous, will be of particular interest to SELSKAYA ZHIZN readers.

From the hall we received a note that stated approximately: "If you do not agree with the policies of the President of Russia, isn't it time you retired?" To this A. V. Rutskoy responded: "I already have this desire, but I will try to talk once again with the president after this trip and to convince him that he has steered slightly off course." He explained: "It is not the intention of the president's policy to have people stand in line for bread and milk or to have them pull their belts tighter; he is interested in changes in the direction of improvement. I personally do not like the policy in the development of market relations, according to which over 600 markets and over 1,200 commercial banks have sprung up on the territory of the Russian Federation."

## POLICY, ORGANIZATION

**Tsentrosoyuz Official On Farm Trade Co-Op Viability**

924A0307A Moscow SELSKAYA ZHIZN in Russian  
10 Dec 91 p 2

[Interview with V.P. Rakitskikh, deputy chairman for administration of Tsentrosoyuz, by SELSKAYA ZHIZN special correspondent M. Salutskaya; date and place not specified: "At the End of the Century"]

[Text] There are not many Soviet enterprises that have earned respect abroad. Tsentrosoyuz [USSR Central Union of Consumers' Societies]—rural consumer cooperation—is numbered among the few.

Our newspaper has published more than one article on this subject. It scolded, it praised and it attempted to provide assistance. But one way or another, we always recognized the fact that Tsentrosoyuz is a trade monopolist in the rural areas.

Sadly enough, today, when the rural areas are experiencing a special need for normal and guaranteed supply, consumer cooperation has another concern—that of struggling for survival. The country and its existing structures are collapsing.

Will the peasants be able to manage in the absence of an intermediary? To what extent is consumer cooperation being affected by these destructive processes? These and other questions were addressed to V.P. Rakitskikh, deputy chairman of administration for Tsentrosoyuz.

[Salutskaya] Vladimir Petrovich, let us agree that we are discussing not so much the past, but rather both the present and future?

[Rakitskikh] But we will nevertheless begin with the past, since Tsentrosoyuz has a century of history and has encountered much along the way. From the moment it was created, it became a powerful trade and procurement organization with its own bank, exchange, stores, factories and educational institutions. Even following the revolution, it had 75 percent of Russia's retail trade turnover.

During the 1930's, we were cut back. Our field of activity was limited and we were forced to work only in behalf of the rural areas. Obviously, all "capital" objects were withdrawn with no compensation. It bears mentioning that today it is fashionable to demand that they be returned. It is interesting to note how we would be viewed if we wished to return the building of the former Tsentrosoyuz exchange, on Staraya Square, where Yeltsin has his office. Or, for example, the Confectionery Factory imeni Babayev, which belonged to us.

[Salutskaya] Thus, was the decision made to return these facilities?

[Rakitskikh] No, we lay no claim to Staraya Square! At the present time, there is more important work than that of ultimatums. It is simply a case of Tsentrosoyuz having worked constantly only for self-recoupment. And at the present time, we must proceed in this same channel. During all the years of its existence, rural cooperation did not receive any subsidies from the state. The front was supplied during the war. And this meant that we were held responsible for even the slightest blunder, with the basic principles of our organization being overlooked. But even here we endured and received various awards. Today our experimental bases are better than the state bases, although our trade turnover is considerably lower—28 percent of the overall total.

[Salutskaya] And this took place in rural areas. At the very least, Tsentrosoyuz today supplies the rural areas with goods for which there is daily demand. It is recalled that not too long ago imported goods appeared in the rural stores bearing the label "For share-holders." Your "suppliers" of goods could carry out some good bartering. Was this all in the past?

[Rakitskikh] Tsentrosoyuz has several functions. In addition to trade, there is also processing, procurements and production. Today we are independently producing bread, various canned goods, sausage products and culinary items.

Actually, our system has always been closely aligned with market relationships. I repeat that very few resources have been allocated to us, but rather greater quantities are being taken away. Today, possessing greater experience, we are taking steps towards the market and yet we wonder if we will survive.

[Salutskaya] Are they abolishing Tsentrosoyuz?

[Rakitskikh] Certainly not. They will not succeed in accomplishing this. But the republics are separating and our property may "float away" together with them. Although, obviously, this property has always belonged to the republics.

[Salutskaya] Vladimir Petrovich, if the republic consumer cooperation organizations have always worked independently, will legitimate independence be dangerous? Perhaps it will only be dangerous for the center, that is, for you?

[Rakitskikh] Here we have in mind destruction of the consumer cooperation system that has existed for 100 years. Indeed, not one of our republics has a so-called natural economy. Some have wholesale bases, others—production, a third group—procurements, and so on. Consumer cooperation has 380,000 different types of non-industrial goods alone and thus is it really possible for each republic to be able independently to produce everything: from pins to engine blocks?

[Salutskaya] Will they purchase their missing goods themselves?

[Rakitskikh] Where? At enterprises? In order to accommodate so many guests, would they not have to be marketing departments in terms of size? No, it is my opinion that wholesale trade at a market will become the chief consideration. And to destroy Tsentrosoyuz and the already created wholesale organization would be a crime!

[Salutskaya] How will this affect the rural residents?

[Rakitskikh] In the most direct manner. We are a rural organization. Any reduction in our system affects the services for the population. Tsentrosoyuz supplies goods for hundreds of thousands of villages in remote regions. All stores and school dining halls in out-of-the-way places operate at a loss. Tsentrosoyuz is compensated for its expenditures from the profits realized by cooperative trade organizations and restaurants in the rayon centers. Today, no private trader can operate at a loss. At the present time, they wish to "privatize" closer to the center. And what is to be done, for example, with Magadan, Yakutiya, mountain passes and shepherd sheep-folds? I am convinced that if someone undertakes to service them, it will be for only a few days and no more.

[Salutskaya] To the extent that I understand the situation, today there are no alternatives to Tsentrosoyuz. Is it possible for there to be a monopoly once again in rural trade?

[Rakitskikh] If someone wishes to engage in procurements, trade, processing, production and other "useful endeavors," then by all means. For example, I never was an advocate of monopoly. It is quite another matter to destroy that which has already been created and which has been operating for more than 100 years. Stand alongside and create competition.

[Salutskaya] As concerns myself, I am in complete agreement with you. Is it possible that our colleagues and republic coporators do not understand this?

[Rakitskikh] They understand at the rayon and oblast levels. Unfortunately, many republic authorities have been eclipsed by this knowledge.

It is absolutely of no interest to me to whom the objects of consumer cooperation will formally belong: to the republics or the center. The chief concern is to maintain the existing relationships. Let us have not a Tsentrosoyuz, but rather, for example, an inter-state company for wholesale trade. Let it operate on a joint-stock company basis. It bears mentioning that today we are devoting serious thought to this possibility.

Naturally, even with complete retention of our structure, we will be unable to improve the status of affairs under the present conditions, but at least we will not make it worse. Subsequently, the future prospects may be simply tremendous. A strong firm, trade with the entire world, catalogues and an exchange.

[Salutskaya] A word or two about exchanges. Will they not enter into competition with Tsentrosoyuz?

[Rakitskikh] No. In any case, this is how I see it. Ideally, an exchange must form prices and nothing more. An exchange cannot become an intermediary in trade and marketing in the manner of Tsentrosoyuz.

[Salutskaya] I am aware that Tsentrosoyuz instituted its own exchange. In your opinion, what is its purpose and what are its future prospects?

[Rakitskikh] The fact that it is not a "one-day butterfly" is true enough. The exchange operates exclusively in keeping with its future prospects and authority. Its prices are lower than those at other Moscow exchanges and its commission is lower. The exchange's founders—all of the republics. It appears to me that its principal task is that of developing the price policies for agricultural products. Thus we extend an invitation to visit the VDNKh [Exhibition of Achievements of the National Economy of the USSR] and the "USSR Consumer Cooperation" Pavilion, where the "Tsentrosoyuz" exchange is located and where weekly trading is conducted on Wednesdays.

#### **Regional, Social, Economic Factors of Trade Privatization**

924A0241A Moscow *TORGOVAYA GAZETA*  
in Russian 26 Nov 91 p 2

[Articles by St. Petersburg correspondent L. Raykova, Ternopol correspondents I. Myshalov, and Ya. Zubarev: "March Ahead, Traders, and Take the State Property By Storm"]

[Text] No, the people are in no hurry now. An interesting situation has taken shape. On the one hand, a kind of legal foundation has been laid. Laws on privatization have been adopted, but everyone has been waiting in the cities. The first reason is the lack of a clear-cut mechanism to shift from one type of ownership to another. Hence the authorities concerned are able to interpret the provisions of legislative documents haphazardly. There is nothing mystical here. Each person has his own economic reasons. The average unit in the system of administration constitutes an obstacle. Privatization is threatening the very existence of *torgi* [commercial establishments]. The local authorities have their own interest in this process as well. And often serious arguments are advanced. One way or another they lay the ground for strong bureaucratic arbitrariness of various kinds which few have the courage to oppose.

Secondly, socioeconomic reasons play a role as well. Under the conditions of a disintegrated consumer market, it is difficult for fledglings of the administrative-command system to take flight, not to mention master the rudiments of market psychology while on the wing. And the unpredictability of state policy does not help when one is cast headlong into the whirlpool of a market economy. The fact that we are accustomed to living under conditions with a

strict concentration of authority, when the impulses emanating from a unified center lined everyone up in single file, has an effect as well.

And no city has its own custom here. In Moscow, they are planning on privatization at lightning speed, which has zealous adherents and opponents with no less conviction. In Ternopol, which is discussed below, the municipalization of trading enterprises has been a neutral cycle for privatization. The experience of the pioneers of this process in St. Petersburg, which is also discussed in this issue, brings us to the idea that legal support is needed for the participants in privatization.

The diversity of paths to privatization ensuing from regional, social, economic, and other factors is inevitable. The pluralism of approaches will make it possible to select the universal, heavy-eared grain of truly valuable experience, once the weeds have been sifted out.

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[L. Raykova article: "Everything Is Correct, But I Do Not Agree"]

How soon will the state store be able to obtain real economic independence? The food store at 61 Moskovskiy Prospekt needed a year and a half for this. The entire route in its change of status—from a rayon food sales enterprise to the "Alyans" limited partnership—demonstrates that not only economic activity, but the enterprise's very existence, depends continuously on dozens of circumstances. And success is far from always determined by enterprise and commercial efficiency.

Let us go back a year and a half. To the time when we were given the opportunity to lease with the right to buy back. There were only four stores that sought to do this, and two of them managed to implement what had been planned. The city soviet's trade commission made it known that these enterprises were denationalized as an experiment. It took control of their "divorce" from the rayon food sales enterprise.

Supporters of trade reform are very familiar with the name of expert A. Yevdokimov today. He also helped the store on Moskovskiy Prospekt. As an economist and experienced consultant on legal matters, Yevdokimov has been forced time and again to become involved in the disputes which nearly always accompany collectives' release from the authorities' custody. Well, what other obstacles could arise if the law has been passed and the store's employees have decided to avail themselves of their right? Who would have thought it possible! It should not be forgotten that trade is still being regulated by a large number of normative documents and rules that are legal. They have not been applied to the new economic operating conditions for a long time, and they have not been taken into account in a normal relationship with a commercial establishment, as a rule. But this is precisely in a normal relationship.

Let us look at a typical situation. The manager of a store brings in the record of a meeting of the labor collective, deciding to lease his enterprise with the right to buy it back. The next step is to register the charter at the rayon ispolkom. This will require at least a month. And this month must be maintained. It must be done so there is not the slightest reason for sanctions against the business, so that the numerous checks are concluded with "good" documents. And in addition, he must continuously maintain a minimum assortment and not permit a commodity to be in short supply or to spoil.

In order to reduce the "risk time" to a minimum, the store on Moskovskiy Prospekt sought to lease in accordance with the principle of "strike while the iron is hot." It involved everything: understandings, threats, a cutoff of funds, a wave of checkups. It reached the point of absurdity. In checking the store's documents with the leasing law, the business lawyer stated:

"Everything is correct, but I do not agree!"

"With the law?" store manager Svetlana Anatolyevna Bulycheva asked.

"No, with your lease. If everything is spent, what will be left for the business?"

The store had to be bought back again. They bought it back. The awareness of an owner changes rapidly. He begins thinking about yesterday no less than about today's profit. But as before, the owner's situation is shaky and uncertain. Dependence on the constantly changing policy and attitude of the authorities at all levels makes it practically impossible to count on long-term prospects.

Let us discuss this problem a little with manager S. Bulycheva. What does the store have at its disposal? Equipment, goods, and a license for the right to trade. Is this enough for complete economic freedom? Accommodations are the most difficult problem for the labor collective. The period for the lease agreement is ending. It is not known whether the rayon housing service will extend it, and under what conditions. The city soviet states that there is a certain decree which protects tenants in this matter. But none of the store employees ever saw it, and we are persuaded by actual practice that zealous administrators have not taken and are not taking such decrees into consideration.

As an example, let us take an assessment of the property. The value of the counters, refrigerators, and other equipment was assessed by a commission of the city's Property Main Administration. It should be emphasized that at least half of the equipment is unlikely to last for a third period of time. But the record they showed to the store had substantially increased the total value of the same equipment which was registered a year ago, when the store sought the lease. It was risky to argue with the commission. The methods of assessment were complicated, and only a specialist would understand. And in the second place....



"There was a case in which one manager did not agree with the assessment commission's conclusions. They sold his store at auction before he could say a word!" S. Bulycheva said.

And she adds: they said that they were prepared to pay even more for this old equipment if only to reduce the amount of red tape. Over the year and a half that the store was fighting for its own economic independence, the situation changed drastically, after all. The new Russian Law on Privatization left retail trade collectives practically no chance to acquire the property of their enterprises. So no matter what they did, employees of the store on Moskovskiy Prospekt had terrible luck.

One thing is bad. Their rights are very short-lived. Here is an example. They paid 1,000 rubles [R] for a license. The license states that the store has the right to sell champagne, dry wine, and cognac. But as before, a decree is in force in the city which provides that only the rayon ispolkom may authorize trade in wine and vodka products. And the rayon authorities warn: "Let us point out that we will fine you if you deal in wine!"

How do we uphold our independence? Perhaps all proprietors should quickly unite for legal protection of their interests? And pay for lawyers who would defend the legal rights of privatized stores against the independent administrative action of local authorities. All this costs a great deal of money, and the "private traders" who are starting out do not have much of it. But it will be increased as the privatization of business proprietors becomes widespread.

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[I. Myshalov article: "The City Ispolkom Has Become a Salesman"]

A great deal is being written and said about the privatization of trade now, although there is no single procedure for putting it into effect and this is done differently in each republic and oblast, and sometimes even in each city. So Ternopol has its own path to privatization now, too.

The difficulties in selling stores or turning them into joint stock companies arise because they belong to different departments and trading organizations which often are not within city authorities' jurisdiction. In order to avoid this, a session of the Ternopol City Soviet of People's Deputies began by adopting a decision to municipalize trading and public dining organizations. This was a radical step which gave the city authorities a free hand for long-term actions. The city's "Promtovary" and "Prodtovary" associations, the public catering commercial-production association, the fruit and vegetable combine, the city market, the department store, and several specialized stores became municipal property.

By becoming the owner of the entire trading network, the city ispolkom has now acquired the opportunity to

privatize it without hindrance. It is the seller in this case itself. And there is no shortage of persons who would like to become buyers.

A. Sonyak, head of the Local Economy Department of the city ispolkom, showed me a sizable stack of applications from persons who want to purchase a store, cafe, or restaurant. When it was announced in the local newspaper that 65 trading enterprises and 16 public catering enterprises were for sale, more than 80 potential buyers responded immediately. But in order to buy one of the enterprises, the applicants face a competitive struggle. First they have to purchase a license at the city ispolkom for the right to engage in business activity and then choose the form of this struggle. This may involve competitive sale at the market price or an auction, where the starting price is set by the auction commission. But in any event, the right of priority purchase is granted to the labor collective of the enterprise concerned.

All this, as well as accurate information on the condition of the facility being sold, the extent of its depreciation, the value of its fixed capital, and so forth, is guaranteed by the seller—the city ispolkom. The future buyer also receives a clear idea of the enterprise's condition with respect to sanitation, the ecology, and fire prevention.

The "Nazar," "Planeta," and "Vizit" stores, which handle manufactured goods, have already been sold to private owners. A proprietor has been found for the "Laskavo Prosimol" ("Welcome!") vegetable stand. Another eight private enterprises will make their appearance in the near future.

Clearly, if the private stores or cafes do not have a sufficient variety of goods, their owners will face the threat of bankruptcy. How will they get out of this situation when there is a shortage of commodities? Especially as they have been forbidden to purchase commodities in reserve [fondovyye tovary]. Private traders in Ternopol are actively engaged in developing commercial ties with various business circles. They are purchasing goods from manufacturing and trading enterprises in Kiev, Cherkassy, and other cities in the Ukraine. Commodities from Poland, Hungary, Austria, and Turkey may also be seen in the private stores.

The city ispolkom is also having difficulties in implementing the privatization. After all, you cannot sell the dining rooms of industrial enterprises, schools, and secondary specialized and higher educational institutions to private individuals. So what is the solution? Transferring the plant dining rooms to industrial enterprises. The city ispolkom is in favor of this, but it is running into opposition from some industrial managers. But matters are coming to the point that all plant dining rooms will eventually become "shop number one."

And it is planned to transfer the dining rooms of educational institutions to their management. By the way, this procedure is used extensively in the West. Facilities are established to supply them with products, and this reduces the cost of food substantially. This system is

already being introduced at one school and one VUZ. Others will follow, I believe.

But one more list of public dining enterprises is being drawn up at present. Some 36 cafes, stands, and other facilities are now undergoing "trading preparation": inventory commissions are taking stock and assessment of equipment value is under way. In this way, enterprises will be given the status of a legal entity which can be sold by the city ispolkom later on.

The sale of restaurants is in a difficult situation. Some of them are unprofitable and need major repair. But P. Nezhinskiy, general manager of the oblast's Public Catering Association, firmly believes that a buyer will always be found for this commodity. The Ternopol firm of the "Biznes-Tsentr" Institute of the National Economy has already applied to sell it one of the restaurants, as well as a snack bar. The businessmen plan to open a free dining room for the needy on this basis...

The question of prices naturally has come to the surface in the discussions about privatization. They will increase in trade and public dining, of course. But they assume that competition among private enterprises will undoubtedly lead to a lowering of prices and their stabilization over the long term.

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[Article by Ya. Zubarev: "There Are More Questions Than Answers"]

The government in Moscow has announced the periods for privatizing stores in the capital. The future of all of them should be determined and applications should be submitted to the Moskomimushchestvo [presumably: Moscow Property Commission] by 1 January. Those who are not in time are not prepared to become proprietors of their own enterprise, and their fate will be decided separately.

"We have been a leased enterprise for a year already," said Liliya Nikolayevna Filimoshina, manager of the "Khoztovary" Store No. 29. "When the account was opened, we didn't have a kopeck. But by working under a lease, we were able to complete major repair of the store for the first time in 12 years. We paid R12,000 for it. We could have begun buying out the fixed capital, but we don't know what lies ahead now."

The manager's concern became clear when I leafed through the decree on the procedure for privatizing state and municipal enterprises and property owned by Moscow, which was adopted by a session of the Moscow Soviet in late September. One of the paragraphs in the decree states that members of the labor collective of an

enterprise which is subject to privatization should form a partnership or joint stock company before becoming purchasers. For what purpose? In order to have the right to buy part of the shares in their own store, as an example, and to become one of its owners. This is all clear, but why the rush with the periods of time? Many trading enterprises not only have not seen this decree, but they haven't heard about it until recently, either. So does the Moscow municipal administration consider a month and a half enough time for each of the several thousand stores in the capital to register as a new entity?

We don't need to make a leased enterprise like this. It is sufficient to submit an application with a duty of R1,500, copies of the charter and lease agreement, an extract of the minutes from a general meeting, and subscription lists of the labor collective with signatures of no less than 51 percent of the store's regular employees. However, in the second week, the chief bookkeeper of "Khoztovary" attempted to verify the copies needed through numerous lines in the notary's office. Though Liliya Nikolayevna is convinced that they will submit the application before 1 January. Well, what is next? After all, the Moscow Soviet's document does not say a word about the mechanism for privatization, about how the initial price of the privatized store is paid, and most importantly, how this right of ownership will take shape in the final analysis. It is possible that neither the savings in a bank account nor the personal savings of store employees will be enough to pay for the cost established, you know. As the decree states, this cost will depend on the enterprise's assumed income. But how can this assumed income be determined if we do not know the prices which will be set tomorrow or if a commodity gathers dust on the shelves?

Something else is worrying Filimoshina, too. If they cannot buy out the store, will there be another owner? Even if he purchases it under the condition that the store's specialty is retained, the manager is convinced that the variety of goods is not likely to be provided for. After all, even with today's shortages, the store receives up to 5,000 item descriptions. There are over 100 suppliers. Will a nonspecialist be able to hold all these threads in his hands? Or will a large rayon be left without household goods?

And what will happen to the 20 salesmen who have worked in one place for many years? And is the lease agreement concluded for 5 years already invalid as well?

Questions, questions... They are being asked by all Moscow store employees today. The answers to them are not without interest to buyers as well: they are also concerned about where they will be able to purchase bread or a package of detergent tomorrow.

## FOOD PROCESSING, DISTRIBUTION

### Italian Firm Signs Food Export Accord

OW1511125391 Moscow INTERFAX in English  
0750 GMT 15 Nov 91

[From "Soviet Business Report"; following item transmitted via KYODO]

[Text] The Italian company Koop Lombardia signed an agreement with the corporation Bolshoy Ural, indicating its intention to send food supplies to the Urals in exchange for industrial raw materials. The volume of trade will be determined during upcoming negotiations.

Bolshoy Ural's founders include the administrations of Perm, Sverdlovsk, Tiumen, Cheliabinsk, Orenburg, and Kurgansk provinces, as well as the Udmurtia and Bashkiria republic governments.

The signed document also envisages the creation of several supermarkets and food production enterprises, which will utilize Italian technology.

### Area Reports On Food Supply Situation

924A0304A Moscow KOMSOMOLSKAYA PRAVDA  
in Russian 6 Dec 91 p 1

[Article by V. Terekhina: "The People Were, The People Are, The People Will Be"]

[Text]

#### Bread.

In the past and despite the increase in prices, bread was a product that was available and cheap: a loaf of bread cost no more than one ruble. Our imaginations have been stunned by the fact that a loaf of bread now costs five rubles and, as a result, stores are simply not placing orders for bread at the bakeries: the loaves are not being bought up. The conflict was settled so quickly that many did not even understand exactly what happened.

Today, according to our correspondents, four varieties of bread, for example, are being sold in the bread stores of Krasnoyarsk and Novosibirsk. Bread is the only product for which coupons have not been introduced in Ufa. It can be purchased freely in Voronezh, Krasnodar, Kazan, Dnepropetrovsk and Stavropol. The bread lines in Kiev are not as long as they were. The worst situations are found in Tbilisi and Vladivostok. The main food products in Tbilisi (that is, products which can be purchased relatively cheap and without problems) are cheese (50 rubles per kilogram) and beans (40 rubles). But what is a meal without bread!

#### Meat.

If the path to a man's heart is through his stomach, then mention should be made of the prominent role played by meat along this path which today many are traveling

with great difficulty. But we still have a problem: how many days can elapse without a family scandal if, instead of meat, sea kale is served regularly for breakfast and supper?

It bears mentioning that today sea kale is the most widely distributed food product in Ufa and Vladivostok. Jokers in the Far East even referred to it as "Ayvazovskiy" because of the red label on the can. But all of the desperate attempts by our own correspondent Gulya Agisheva to convince herself that this product was wholesome and tasty were in vain. What about meat: meat could be found in Ufa only at the market and the prices were reasonably good. From time to time, the meat coupons could be exchanged in Vladivostok for imported mutton for the price of 9 rubles and 50 kopecks. On the other hand, the cost of meat in Saint Petersburg at the market (the stores were empty) ranged from 100 to 150 rubles. In Vishkek, according to our correspondent F. Niyazov, there still are not enough people capable of consuming an entire lamb at one sitting—thus they have our sincere sympathy. The price for an average sheep at a Kirghiz market ranges from 600 to 800 rubles and a kilogram of meat costs up to 30 rubles. And simply nobody here (and not just here) can recall the state prices for it.

In Vologda, it is very difficult to purchase meat that has risen considerably in price even with the aid of coupons. On the other hand, cranberries and mountain cranberries in sugar are moving freely, although they are obviously not in competition with meat. Thus the path to a man's heart, by means of meat, will best be found somewhere in Chelyabinsk: According to Sergey Smirnov, Chelyabinsk trade and the lack of food obviously now extends to delicacies: smoked sausage in a store—36 rubles, beef and pork—19 and 17. The cost of roe deer meat—14 rubles per kilogram. And also on this holiday of life—generally available salted salmon (fish)—20 rubles and smoked salmon at 36 rubles.

In Vladivostok, they are awaiting the arrival of a ship from Japan bearing humanitarian food. According to Dmitriy Shevarov, a situation very reminiscent of the Kulikov Battle is arising, with sausage selling for 26 rubles in Volgograd stores. In order to obtain sausage, they are waiting on lines from morning until night. But on the other hand, the price of 11 rubles for beef and pork in a lessee store, and also for goose meat, chicken and even rabbit meat, is quite realistic. So as not to create the impression, God forbid, that Volgograd is a city where everything is available (in our time, this would appear to sound improper—indeed, merely in discussions concerning hunger), we would add that the city's chief shortage is in eggs. Five hundred or more people standing in line. (True, to be the 717th in the same line quite recently in Moscow was not unusual. As it turned out, the people became accustomed to this situation very rapidly). Generally speaking, meat is readily available, with an average sufficiency, in Kiev, Kazan, Krasnodar, Dushanbe and others.

**Potatoes.**

We are receiving bright and pleasing reports concerning potatoes in Krasnoyarsk and Chita—they are available in the stores, there are no lines, the price ranges from 1.50 to 1.60 and the quality is good. Nor are there any potato problems in Ufa where they are selling for 60 kopecks—the republic has issued a subsidy. But, if you please, the pleasant news ends here. The price for a bag of potatoes in Stavropol reached 150 rubles this autumn. And the cheapest price in a store, when they are available, is 3 rubles and 20 kopecks. Similar problems are being encountered with vegetables. The price for potatoes is 4-5 rubles among private traders in Moldova, Vishkek (6-7 varieties), Voronezh, Tbilisi and Kiev. But the majority of the population, similar to our own correspondent in Irkutsk N. Savelyev, are digging up their own potatoes and they are relying both upon themselves and upon their gardens. And also upon their relatives in the countryside.

It turns out that fruit is also available for sale. But it is difficult to explain this "availability" to children, who must beg for an apple or tangerine in order to obtain the needed vitamins. And they must engage in such begging considerably more often than the fruit is available for sale. A unique incident occurred in Vladivostok. As reported by Sergey Avdeyev, the gorispolkom [municipal executive committee] recently sold a three-room apartment for fruit from Tajikistan, the overall value of which was seven million rubles! No further comment is needed.

**Peasants Reluctant To Take Produce to Moscow for Sale**

*PM1911155591 Moscow Russian Television Network in Russian 2100 GMT 16 Nov 91*

[From the "Vesti" newscast: Report by L. Varebrus and I. Robertus, identified by caption]

[Text]

[Varebrus] There are several dozen markets like this on the road from Moscow to Tver. People sell either straight off the ground or from home-made tables. Tell me, how much are you charging for meat?

[Unidentified man] Between 25 and 30.

[Varebrus] How much are you charging for meat?

[Man] Thirty.

[Varebrus] Why don't you go to Moscow? After all, you've got a car.

[Man] I have a car but what are things like at the market there? You can stand there all day, the butcher takes it all.

[Unidentified woman] I certainly won't go to Moscow.

[Varebrus] Why?

[Woman] Because everyone is afraid of the thugs there, you know.

[Varebrus] Now to a more somber topic.

[Traffic policeman] On Saturdays many men help their wives at the bazaar, the market. Some cooperative members were coming from the bazaar, the market. The road was busy and two cars collided. A driver was killed, four people were seriously injured.

[Varebrus] Sixty kilometers from Moscow, as you can see, everything is as it used to be and, believe it not, that goes for the prices too.

[Unidentified woman] A woman from our village went there, to Moscow, and was robbed. And now we have decided to come and sell here.

[Varebrus] Tell me, how much do you charge for meat to make people want to come to you?

[Woman] I charge 35 to 40, 25 for lard.

[Varebrus] Why don't you go to Moscow? They charge 70 rubles there... for the cheapest meat.

[Woman] Here we are near home, we have no means of transport, we have no car.

[Another unidentified woman] Ooooh, it costs more to take stuff there. I have kids and a job to do. You work it out. A working day, that's number one. A day's pay is 10-15 rubles. Then you have to pay for transport and for the meat to be branded. You have to pay for a place in the market and you have to give the butcher his share. It's nothing but pay, pay, pay every day.

[Varebrus] And the end result is empty shelves and closed stores. There is no meat. Nor will there be while the peasants do not want to bring it for sale to the city and until Gavriil Popov's promise to organize the purchase of meat at commercial prices in state stores ceases to be just a promise.

**Meat Reaching Trade Network Sharply Down in 1990**

*PM0912164391 Moscow SOVETSKAYA ROSSIYA in Russian 4 Dec 91 p 4*

[Unattributed report: "Three Cans Per Person"]

[Text] A strained situation has developed in the RSFSR [Russian Soviet Federated Socialist Republic] concerning the supply of meat products to the population. The RSFSR Goskomstat [State Committee for Statistics] has reported that while in 1990 the delivery to trade from state stocks of meat and meat products in meat equivalent was practically at the 1989 level (there was a 0.5 percent drop), this year the situation has sharply deteriorated: Delivery of these food products was 19 percent down on the corresponding period last year, including a decrease of over 20 percent in meat and canned meats.

An extremely small quantity of meat products in high demand among the population is being produced. Thus, per person per year, only a little over one kg of lamb, 12 grams of rabbit meat, a little over 200 grams of hard smoked sausage and 300 grams of sausage meat, around 20 grams of meatballs, and 3 cans of canned meat are being produced.

## GOODS PRODUCTION, DISTRIBUTION

### Patients Look for Medicine Outside of Clinics

924A0240A Moscow *PRAVDA* in Russian  
25 Nov 91 p 6

[Article by Ye. Kazmina: "Bitter Pills"]

[Text] In old times, having caught a flu, we headed to the nearest pharmacy for medicine, with or without a prescription. At present, we stay away from pharmacies and pin our hopes on getting cured "spontaneously" or drinking tea with raspberry jam. In hospitals and polyclinics, the doctors also restrict themselves most frequently to advising the patients to go to the trouble of acquiring drugs in short supply on the side, by themselves.

Could it be that the production of drugs dropped? Or that the patients are "ravenous" for medical preparations?

In the words of Ye. Starobinskaya, director of the Moscow City Association Pharmacy, at present as many drugs are purchased in the pharmacies in two days as used to suffice for one month! However, let us look at the situation from another angle. Previously, well over half of the drugs we needed were imported from abroad. After the Council for Economic Mutual Assistance ceased to exist, its former member countries switched to trade in currency (naturally, trade in drugs was also covered). Up to that point, the funds had been solicitously invested in the Fourth Directorate of the Ministry of Health and in the development of the medical preparations industry of "fraternal" countries.

The virus of such "patronage" inflicted considerable damage on our health care. Failing to establish our own production, we paid two prices for drugs purchased from our "brethren," hence the current technical backwardness, worn-out equipment, lack of incentives for enterprises, and a drain of skilled cadres. In addition, there are problems entailed by the threat of a disruption of old economic relations with the owners of raw materials which are needed for production.

Tremendous withholdings for the budget, a lack of legal rights, and economic dependence deprived state enterprises of an opportunity to expand and modernize production facilities. For example, the former Production Association Mosmedpreparat imeni L.Ya. Karpov has transferred to the state about 360 billion rubles [R] in 15 years. It is no longer an association but rather the Ferreyne Pharmaceutical Joint-Stock Company (which

has restored its former name, derived from that of its creator, Karl Ferreyne, from before the revolution).

Ferreyne Director E. Drachevskiy cited the following fact: "We produce preparations worth R400 million a year. For comparison, this statistic for the entire country equals R4 billion. We furnish our products primarily to consumers in Russia. They include various highly effective antibiotics, a total of 80 products. Incidentally, Ferreyne was the first in our country to master the production of preparations for cancer treatment."

The cost of products has increased in line with outlays for manufacturing them whereas prices in the pharmacies remain unchanged. This appears to be good for us, but there is no cause for joy. As usual, the difference between wholesale and retail prices is paid from the state budget. In this manner, attempts are made to provide social protection for poor citizens. However, in essence, this results in far greater expenditures by us, the consumers. If counters are made to overflow with medicines, funds will flow from the state coffers. Therefore, only a certain amount of medicines, based on subsidies, may be sold by the pharmacies. This is to say nothing about the hospitals and the infirmaries—in this case, the state budget pays for everything altogether. Therefore, the missing drugs have to be purchased at 10 times the price on a street corner. Would it not be better to be given an opportunity to purchase everything necessary at slightly higher prices, but at a pharmacy and whenever you need it, and to buy one or two bottles rather than, as is the custom, a dozen mixtures which later go bad?

On the other hand, fixed prices set by the state for 40 percent of the medical preparations (actually, the ones in the shortest supply) rob the producers of any desire to produce them, since they are produced at a loss. Therefore, dreaming of analgin is premature for as long as state enterprises are backed into a corner and state prices exist.

Let us return to statistics. What does R4 billion-worth of drugs amount to for our country? This is ridiculously little. America alone spends \$450 billion a year to produce finished forms of drugs. To be sure, drugs are more expensive there than here, but there is still no comparison.

The people are asking: "What is our government doing? Why is it not taking care of the health of the people?" Why wrack your brains and strain if it is easier to sell something "fetching hard currency" and purchase something ready-made without further ado? Why set up the production of antibiotics for cancer treatment ourselves when they are purchased without difficulty in the United States at \$5 a package?

At present, winds are sweeping empty pharmacy warehouses. What is there to discuss, given the fact that the Ministry of Health still has a monopoly on purchasing drugs abroad, and when there are still state (that is, nobody's) enterprises and pharmacies and subsidies under the slogans of social protection, whereas there

ought to be elementary health insurance, which is the case throughout the world. Privatization? Fine, but what is it all about? Everybody wants it, but nobody knows how to do it. After all, to date no techniques and

arrangements for effecting it have been properly developed. Privatization of housing is a case in point. So far, highly placed schemers have been treating us to exceptionally bitter and monotonous pills.

## FUELS

### Fuel-Energy Complex Status, Future Viewed

924A0299A Moscow IZVESTIYA in Russian 7 Dec 91  
Union Edition p 2

[Article by V. Bushuyev, professor, USSR Peoples' Deputy, and A. Makarov, corresponding member, USSR Academy of Sciences: "Only the Joint Stock Company Will Save the Energy System"]

[Text] The energy shortage can destroy the states which were once members of the USSR even faster than the bread shortage. The energy shortfalls in Armenia and the Northern Caucasus due to the interruption of inter-republic deliveries has already affected not only material production but also the daily life of the populace. Under serious question are the previous deliveries of Kazakhstan coal to the Urals and Tyumen gas to the Ukraine.

A return to the old, rigidly centralized management-by-directive of the fuel and energy complex (TEK) would be both unwise and impossible. But its reform must proceed from the immutable fact that the complex itself is geographically and technologically indivisible. The uneven distribution of raw reserves of fuel and energy resources (TER) is such that only three republics—Russia, Kazakhstan, and Turkmenia—have an energy surplus, while the rest. . . The prognosis is that at the beginning of the next century Belorussia will supply seven percent of its own energy needs, Moldova nine percent, and Armenia four percent.

World experience and the predictions of international experts attest to the fact that despite the most severe energy conservation policy, for developing countries (and the majority of our republics, including the RSFSR, belong to this category) growth in national income will accompany growth in energy consumption. So they will be forced to import TER. From where?

The flow of energy resources in the direction "East-West" (from Siberia and Kazakhstan to the European regions) already today comes to 1.2 billion tons of fuel equivalent—half of all our energy production, and it has a clear tendency towards growth. The main oil and gas pipelines, coal-transporting railroads, and inter-system electric transmission lines form a technologically cohesive transport and power system. It would not be difficult to destroy with customs barriers, but to replace it, to reorient consumers to importing TER from other countries is simply economically and technically impossible within the next few decades. A social reorientation towards energy is needed, that is, a shift of goals in its development.

By the end of the century, given a technologically based reduction of 1.5 times in the energy cost of material production and the preservation of present ecological restrictions on the permitted discharges into the environment, the per capita requirement for TER is increasing. For example, in Russia it will increase from 8.4 to

8.8-9.5 tons of fuel equivalent, while the requirement for electric power, as the highest quality and most universal energy product, will increase from the present 7.2 thousand kilowatt-hours per year to nine to ten thousand. Just what mechanisms must be applied to ensure this growth? First of all it is essential to create a new management structure for TEK facilities, create principles for economic regulation of producer-consumer interactions through state and market intermediary structures, and create the legal foundations and coordinated economic legislation to achieve a coordinated energy policy.

The direct state management of energy production is not bad in itself. It is unacceptable for us just now, when the state budget (and the contrived economy stabilization fund) has become depleted and does not allow reengineering and construction of new energy projects from central financing. Attempting to retain the low fixed prices on TER, given the impossibility of supporting these industries with centralized subsidies, forces the miners to strike, while it forces oil industry workers and electric power workers to limit consumer connections to power and heat networks, and to disconnect them when dangerous overloads occur.

On the other hand, the market, under monopoly conditions for all producers of goods and in the absence of a proper system of energy conservation, is leading the consumer in his turn to "inflate" the price on his own products. As a result there is a new round of inflation. So doubling the cost of TER and electricity at the beginning of this year, with free prices in other industries, resulted in machinebuilding output rising 2.7 times for the half-year, while consumer goods rose 3.2 times. In the final analysis energy has in fact grown cheaper, and neither the miners nor the electric power workers received anything from the increase.

Therefore a reliable and economic energy supply can be achieved only when this process has a working mechanism of consensual participation for both suppliers and consumers of energy, with a coordinating role for state authorities as representatives of the collective interest of the populace. The joint stock company is such a mechanism.

Instead of dividing the property of energy facilities among the republics and regions it is essential to reorganize technologically related energy systems into joint stock companies as soon as possible. Both producers and large consumers, as well as local soviets in the form of their departments for energy supply, should participate in this. Moreover, it is desirable that energy-related machinebuilders and their supplier plants participate in these joint stock companies. For example, for the development of KATEK [Kamsko-Achinsk fuel-energy complex], whose coal will mainly go to power plants, it is advisable to create a joint stock company in the form of a concern, all the enterprises of which act within the firm on contractual terms, selling at free prices the final

product—heat, electric power, or other products of coal processing and its byproducts.

In order for the population to be willing to have such energy projects sited on their territory, one ought to follow the experience of other countries and introduce a tax on their property. The tax, in contrast to amortized deductions, goes directly into the local budget. Having their share in the stock of energy companies, both the allied suppliers and the local soviets will be interested in their successful operation, as well as in equitable pricing for the final product and in punitive sanctions for harmful discharges and for possible disruptions of the energy supply.

Today's regional energy commissions, which have been granted the right to adjust prices on heat and electric power sold to consumers, must become oversight councils of such energy companies, regulating their activity in the common interest of producers and consumers. The state, on the other hand, owning a controlling share of stock, stimulates efficient and ecologically safe energy supply through economic and legal methods.

Under conditions of general price liberalization, the state is forced to free TER prices, in as much as it is no longer in a position to subsidize them. The removal from the budget of these subsidies, whose total size is approximately 120 billion rubles, will make it possible to release funds to compensate the population for additional expenditures due to the rise in price of the "consumer basket".

And in order to keep prices on this level and not allow their speculative increase on the exchange, state associations and corporations should, within the framework of the state order [goszakaz], create market reserves of fuel, the size of which would be about 10 percent of the annual market turnover.

In order to prevent the unwarranted enrichment of commercial middlemen and monopolist energy producers, it is essential in the transition period for the tax system to set a different standard of profitability, and to raise the customs tax on the export of raw TER, and to stimulate the export of energy resources which have been saved by adoption of energy conserving technologies. It should be officially declared that 60 to 70 percent of the energy resources saved transfers to the complete ownership of the consumer and can be freely sold by him on the domestic market, and without a license on the foreign market.

No matter how important the sovereignty of each former union republic is, an interrepublic coordinating energy center is vital. Its functions could be defined through a special agreement of sovereign states—an Energy Compact. This center could exercise direct dispatcher management of intersystem overflows of power within the limits stipulated by the special interrepublic agreements. It could also exercise authority through its own organs, by an agreement on scientific and technical policy, on

economic, ecological, and technological standards of operations of energy enterprises which belong to a unified power system.

On the intergovernmental (union) level, agreement on and development of several of the most important legal documents is essential, for example, the law on atomic power production, on the safe operation of oil and gas pipelines, on the possibility of their non-discriminatory use by all interested energy firms and companies, as well as on general directions in energy conservation policy.

### Declining Oil Production Viewed

924A0293A Moscow IZVESTIYA in Russian 4 Dec 91  
Union Edition p 5

[Article by A. Portanskiy—"The Decline in Oil Production in the Former USSR Will Affect the World Oil Market"; subtitled "OPEC Experts Sound the Alarm"]

[Text] The Organization of Petroleum Exporting Countries (OPEC) in the near future will not be able to make up the shortage of crude oil on the world market which will appear due to the decline in production in the former Soviet Union, declared the president of OPEC, Venezuelan S. Armas, the other day on his return to Caracas from the regularly scheduled conference of the organization in Vienna.

The oil industry of the majority of OPEC member countries is operating at full capacity now. Therefore in the event that demand for energy sources increases in the first quarter of next year (entirely probable considering the onset of winter in the northern hemisphere), it can be met only by putting on the market part of the oil from the strategic reserves of industrially developed countries.

At present the OPEC countries are capable of producing approximately 23 million barrels of oil per day, while 24 million barrels per day will be needed from them in 1992. OPEC experts believe that until Iraq and Kuwait achieve the level of oil production which was maintained before the Persian Gulf war, producers who are members of this organization will not be able to cover the rising demand for oil.

The depth of the crisis in the oil industry of our country was especially clearly revealed in the middle of November, when the government of Russia suspended the licenses issued by the Soviet Union for the export of Russian oil. This step was taken to guarantee the internal energy needs of the country in winter.

The West is ready to render assistance in modernizing our oil industry. At the present time a pan-European energy charter is being prepared for signing. This in principle would bring the former Soviet Union, with its acute need for foreign currency, out of the present difficult situation and would grant the Western countries access to its still significant reserves of energy sources. However, representatives of the European Community are uneasy because they don't know who is in charge of



the energy complex of the former Union, with whom to negotiate, or who will come to Holland to sign the charter.

The original plan for aid to our country boiled down to giving us Western capital and technology in exchange for guarantees of delivery of Soviet crude oil and natural gas. It envisaged working out concessions which would provide political guarantees for transporting energy and delivering it abroad. In the European Community they are still hoping that the charter will be signed in December, and that this will create the conditions for signing the fundamental agreement next. According to the agreement, Moscow must take upon itself the obligation to comply with the rules regulating and protecting the investments of Western oil companies which are seeking access to Soviet oil and gas. But the continuing process of political disintegration of the Soviet Union has noticeably complicated the matter.

All the same our country remains the world's biggest oil producer; however the volume of production has been reduced from the record level of 12.5 million barrel per day in the middle of the '80s to about 10 million barrels per day, and is continuing to drop.

Without the serious participation of the Soviet Union there can be no energy charter, declared recently A. Kunya, a member of the Commission of European Communities who is in charge of power engineering issues. Nevertheless, in Western Europe they hope that all is not yet lost. Despite the uncertainty, a whole series of Western oil companies, such as Texaco, Elf-Aquitaine, British Petroleum, and others, have already concluded agreements on the production of oil in the territory of the Soviet Union.

#### Nuclear Power Stations' Status Viewed

924A0309A Moscow *RABOCHAYA TRIBUNA*  
in Russian 10 Dec 91 p 2

[Statement by V. Andreyev, deputy chief of Main Administration 27 of USSR Ministry of Atomic Energy and Industry, reported by Natalya Kozlova under the rubric "In the Country," entitled "Is the Atom Splitting Under the Force of Sovereignty?"]

[Text] Deputy chief of Main Administration 27 of the USSR Ministry of Atomic Energy and Industry Viktor Andreyev:

Starting 1 December the Ignalina AES [nuclear electric power station] in Lithuania is no longer subordinate to us. It is operating under the control of the government of Lithuania. In the meantime information is coming to us from the plant; colleagues are participating in our conference calls.

The other day the decision of the Ukraine government was received about the unification of atomic power plants on its territory into one concern subordinate to

the republic. In all there are five atomic power plants in the Ukraine. For the present working contacts have not been interrupted.

Right now we are not interfering in the management of the plants. The governments of the sovereign states are answerable for everything, but mainly for safety.

In the near future the Russian atomic power plants will possibly also unite into a single concern.

## ELECTRIC POWER GENERATION

### Voronezh Energy Shortage Grows

924A0245A Moscow *IZVESTIYA* in Russian 22 Nov 91  
Union Edition p 2

[Article by V. Mirolevich: "Shut Down. . . At the Peoples' Request," subtitled "Electric Power Is Not Produced at Referendums"]

[Text] Every morning in the weather report the local radio reports that the background radiation at the Novovoronezh AES [nuclear electric power station] is normal. I forget for the day that the plant is somewhere nearby, but in the morning they remind me: "Rain is expected; the background radiation is normal." And if it isn't normal, should I take an umbrella or not?

We no longer believe our specialists when they talk about the normal state of the plant. This year foreigners from MAGATE [International Atomic Energy Agency] came twice and made a diagnosis—the plant is safe and sound. We all read and heard about this, and even saw it. But even after this you tense inside when the reminder about microorganisms is heard on the weather report.

It looks like the season of pride in our scientific and technical achievements has given way to horror of them. Gas pipelines blow up, trains fly off their tracks, an atomic reactor burns. . . We are dumbfounded: what are we to do, how are we to keep on living? Return to the horse cart, to firewood, and once again light bonfires under those who guessed that the earth rotates? It would seem to be nonsense. But no, turn around and look—we are already on this road, back to the past.

It has been a year and a half since the fuss over the Voronezh referendum has died down. Hundreds of thousands of citizens said "no" to the Voronezh Atomic Thermal Station (VAST). And it was almost ready by that time. At the beginning of the year a session of the oblast council almost cancelled the fate of the Novovoronezh AES. An electricity shortage is already being felt right now. The two oldest reactors in the country are about to reach the end of their operating life. What can take their place, what can fill in the gap? Barter—we'll give you TV's and VCR's, you give us kilowatts—won't help. In the foreseeable future no one will have kilowatts to spare. The session thought for a moment and voted: two more units need to be built.

That's how things happened in Voronezh. And all around the country atomic power facilities worth tens of billions of rubles have been mothballed by organized movements of the population. It's no secret that playing the ecology card was to no small degree aimed at gaining political capital.

We didn't go to mass meeting and demonstrations to close potentially dangerous facilities just because we were scared of possible accidents. We were frightened of our own selves, from our own work experience in the corrupt economy of unwarranted levelling.

What does the baker, the lathe operator, the doctor, the tram driver, or the literature teacher know about the complexities and subtleties of various advanced technologies? But they know their own worn-out equipment, the unsanitary hospitals, the broken train tracks, the dilapidated school. Hence the sincere disbelief that somewhere in another domestic industry it can be different, without chaos. That we don't have "fly-by-night" enterprises everywhere.

Among the people who voted to shut down the atomic power stations there were no atomic power industry workers or members of their families.

After the Chernobyl accident the city of atomic power workers, Novovoronezh, did not become deserted and it is not in need of AES personnel. People were not seized with animal fear, and they did not run to get a job in other industries. And the children of many of them enrolled in university nuclear physics departments and now are returning to the plants as degreed specialists. No, the AES workers are not prisoners condemned to death, not potential kamikazes.

What scares and prompts people to the most radical actions is in no way profound knowledge, but on the contrary a lack of understanding of what is happening. The Novovoronezh workers perceive the Chernobyl accident as a great misfortune and sorrow, but react to the causes of the accident as specialists. They believe that it was the idea itself of a cheap reactor and the command-bureaucratic method of atomic power engineering that blew up there. (In Novovoronezh there is a different type of reactor.)

The senior shift chief of the Novovoronezh atomic power plant, Vadim Lapskiy, told me that formerly the shift was afraid not to fulfill the plan for electricity output—they would write explanatory memoranda about this, including to other relevant agencies.

Right now the output plan has officially been moved to second place. The main thing is to ensure complete safety of operations.

I met with Lapskiy at the Novovoronezh educational and training center Atomtekhnenergo. Once a month each AES shift takes a most difficult examination here, covering situations which would never happen to them

while working at the reactor. Here is assembled a full-size control panel of a unit, the operations of which are simulated by computers. More than 500 emergency situations are loaded in their memories, including so-called "design-exceeding" situations. A group of top specialists are involved in the creation of such programs. They are developing unusual situations, at least theoretically capable of disrupting the technical process. Training sessions on the simulator make it possible to maintain working form, all the more so in that it is not known which program of ordeals the instructor of the educational and training center loaded into the computer. There are two such centers in the Soviet Union. Novovoronezh is the biggest.

In the middle of the eighties there appeared at the center a service, which the industry workers themselves met with extreme hostility: a psycho-physical laboratory for AES workers. Today it has a data bank for 1,500 specialists. Psychological stability, reaction to irregular situations, health, and much else is considered by the laboratory's doctors in their recommendations, the final goal of which is increasing safety at the plants. Over the years several people have been released from work associated with the operational control of the plant.

Recently a rumor spread around Voronezh that an atomic plant was being finished on the sly. People rushed to the site to check—and they returned crestfallen, to put it mildly, by what they had seen. Desolation, ruin. The electric substation has already sprouted a young forest. The engineering laboratory building gapes with unframed windows. The reactor hall has no roof. At the bottom, rusting on its side, is a 195 ton reactor which, according to foreign specialists, is unique in its reliability. They told me that the safety of this plant is such that it could withstand a direct hit from a bomb.

But what is a bomb compared to the destructive force of voting. We should be good and thrifty and warehouse everything that can be warehoused, shelter everything for safe keeping. There is a feeling that everything here has been abandoned as during a panicked retreat, and no one will ever set foot here again. Well, with hundreds of thousands of referendum participants, understandably, what could they do here? But someone must think about the safekeeping of hundred of millions of rubles even after the voting. Not wooden rubles, but expressed materially, in short supply materials, unique equipment, empty work places.

The Voronezh city executive committee, having familiarized itself with the situation at VAST, still made the decision to begin work on preserving the plant in order to save at least something. It looks like that in the city executive committee they are no longer listening to the slogans, but to common sense—people will not understand, if nothing is done.

But who, strictly speaking, owes something to someone? The bureaucrat from the executive committee, the deputy from the council, or the nomenklatura from the

ministry? Each of them have done what they were supposed to. Local politicians roused the people, the bureaucrats ensured the organizational process of revealing public opinion, while in the ministry they threw up their hands: what can you do, it's the new "people's power." Who is against the newcomer?

In reality there is nothing new. Either there is power or there isn't. The power of referendums and mass meetings is a variety of anarchy. The democracy which is growing and the bureaucracy opposing it have now united into—do-nothingness. The result is a hybrid of law of the street and cabinet law, and thus the celebrated mutant born of socialism—mismanagement—didn't disappear to anywhere.

This is our real accident. Not a technological one, but a tragedy of our attitude towards our valuables. For the destitute, they don't exist.

The consequences of this tragedy are destructive, and the scale of losses is huge. But do we know about the billions of capital investments not working all over the country, about the untapped potential of specialists? Are the

experts' conclusions on the consequences of "explosions" known on the squares and in council sessions? Are there findings on the decrepit old women of the coal and black oil, who with their last ounce of strength give kilowatts and gigacalories to factories and cities suffocating from a shortage of these? Have programs for third and fourth lines of defense against accidents at dangerous plants been developed, and against the destructive actions of public opinion?

After all both the accidents and the tragedy of the country are bound with one rope. The rope is thrown over our economy, which is sliding down a slope, thrown from behind a dark corner where the command system escaped and is biding its time.

We should stop and begin to work, to create.

Yes, we found out a lot in recent years about things which earlier we were not supposed to find out. Now we should assimilate one more truth: the more you know, the more responsible your decisions must be. In order to not destroy the world, but to learn to live in the world which we ourselves created.

**Constitutional Oversight Committee Chair on Employment Rights**

924A0275A Moscow *RABOCHAYA TRIBUNA*  
in Russian 29 Nov 91 pp 1,2

[Interview with Sergey Alekseyev, chairman of the Constitutional Oversight Committee, by *RABOCHAYA TRIBUNA* correspondent Mikhail Botyan; Oslo: "Rather Than Gifts, A Worker Needs Only Be Given An Opportunity To Work"]

[Text] Sergey Alekseyev, chairman of the Constitutional Oversight Committee, believes that rather than gifts a worker needs only to be given an opportunity to work. Our correspondent met with Alekseyev in Oslo during a seminar for experts on the democratic institutions of member states of SBSE.

[Botyan] Sergey Sergeyevich, you were in Norway for only a brief period of time. However, even during these two weeks I am sure that you became convinced that this is an interesting country—in its political structure, the level of social protection for an individual and the quality of life. In your opinion, what is the secret of this Norwegian well-being?

[Alekseyev] Certainly, two or possible three factors played a role. First of all, the country has vast natural resources. It discovered oil and is using it actively to benefit its people. On the other hand, we only squander our hydrocarbons on Austrian boots and cheap Portuguese wine. This is one factor.

Another—they make good use of the achievements of their commodity-market economy. Market relationships took root here long ago. Private business interests based upon strong personal freedom, particularly in the economic sphere, are very active here.

And finally, there is the third component—the Norwegians respect their traditions. Perhaps this startles a Soviet reader, but they do not have private ownership of natural resources. I discussed this subject in detail with my colleagues in the Norwegian Parliament and Supreme Court. They informed me: nominally, on paper, an individual may be a private owner of natural resources, but not to the extent of 100 percent.

[Botyan] Does this also apply to land?

[Alekseyev] Yes, here a considerable role is played by the organs of self-government and social interests. Since olden times, there has been the institution of legal utilization. That is to say, if certain persons are entitled to land, they are not necessarily direct owners. Here we have the private personified principle, but not that absolute right of private ownership which is being discussed so excitedly at the moment.

[Botyan] And from a total state position, they wish in an instant to convert over to a total private ownership one—a Soviet type of "wild" capitalism of the Marx era.

[Alekseyev] I asked parliamentarians and the chairmen of the Supreme Court: what do you want—socialism? Without smiling, they replied: yes, we confirm the socialist principles. And, as always, we dash from one extreme to another: formerly there was state, monopolistic and strong socialism and now we have wild unrestrained capitalism that is based upon absolute private ownership. I believe that we must exercise judgment in using the experience of Norway, Sweden and Finland. And we must see not only the questions of distribution.

Indeed, why is it that they mention only this aspect when they discuss "Swedish socialism" with us? The attitudes towards property must be used as the basis. This is the essence of the problem. I constantly discuss this matter—at congresses, in the Supreme Soviet and in the press. The Norwegians have succeeded in combining those private personified principles, which make it possible to carry out private business operations, with collectivist public aspects. Here they could take the public interests into account and include the organs of local self-government in the work. All of this is very interesting. The problem has nothing to do with the superficial aspect—all of the shelves that are overstocked with goods. The start must be made with ownership.

We still do not realize that we have entered an era of freedom. We even fear it. Certainly, there is a basis for this, since we are observing its extreme manifestations, elements and certain severe aspects. But despite all of this, we must take note of the most important feature—genuine freedom. It is my belief that a higher blessing simply does not exist in nature. Certainly, it is possible to obtain an allowance and yet this status is semi-concluded. This is one aspect.

Secondly. From the standpoint of future prospects, a chief factor is—the economic freedom that still does not exist. Those plans which we are realizing at the present time are not oriented precisely at developing this economic freedom. A need exists for freedom of prices, for a market and for private business activities. This is very important. But first of all a need exists for ensuring that an individual has freedom in the sphere of ownership and not everyone understands this fact. For example, I read in the newspapers about a beating between trade union representatives and M. Gorbachev. Once again, the discussion went as follows: give us a level of social protection such that the state can support us. But it is my belief that a worker does not need any type of social protection.

[Botyan] Do you mean this?

[Alekseyev] Yes, I am convinced in this regard. Social protection is needed for children, elderly persons, invalids and for workers who are ill. All others need only one thing: the opportunity to work and to earn money. And if we continue to protect a worker, he never will work. There is another terrible factor that follows the deprivation of freedom—this is corruptness in our society as a

result of parasitic attitudes. Give, give and give! Let the state give! Give me a certain standard of living.

The demand is imposed upon all elements—upon the union and republic organs and upon the Mossovet [Moscow City Soviet of Workers' Deputies]: give! This entire ideology is suddenly turned against the people themselves. It is not necessary to protect the workers. They must be given an opportunity to work. And to earn money. The prices have been raised threefold—they must be able to earn four and five times more than their earlier salaries. And our social protection—to a large extent, this is protection against work.

[Botyan] And once again, the question: what is to be done?

[Alekseyev] I believe that our chief task at the present time is to give producers the means of production and to turn the factories and plants over to the worker and labor collectives. They will themselves find their desired leaders and managers. Perhaps some plants could be turned over to private individuals. The chief concern is to ensure that they are in the hands of a producer.

#### **Interrepublic Entrepreneurs' TU Opposes Taxes, Other Restrictions**

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Union Edition p 3

[Article by IZVESTIYA correspondents N. Lisovenko and T. Khudyakova, Donetsk: "Your Problems—Our Concern"]

[Text] "Your Problems—Our Concern." How can the "Solidarnost" Interrepublic Trade Union of Entrepreneurs implement this slogan?

Up until now, our narrow-minded environment has been filled with hatred for those blood-sucking cooperators who have been robbing the working people. Today the enemy's ranks are also being filled with entrepreneurs—brokers, stock exchange workers, managers, stockbrokers and bankers. Moreover, they are stuffing their pockets with millions and thus they created the trade union for protecting their interests.

Are we exaggerating? By no means. But such a point of view is justifiable to an ordinary citizen who is forced to stand on a bread line. And it is unacceptable for society on the whole, since the latter has become entangled in ideological dogmas and does not wish to follow up the words with action.

"Our trade union has been in existence only one and a half years and yet it already numbers 1.25 million members," stated the president of "Solidarnost" Yuriy Pivovarov. "These are not only cooperators, lessees and entrepreneurs, but also special state enterprises from the Russian Federation, Ukraine, Belorussia and Tajikistan. They come to us because we are implementing true economic and legal protection for business people."

The business people gather together under the "Solidarnost" banner not simply because this trade union is more generous than the VKP [General Confederation of Trade Unions], although this is an important consideration.

All of the money collected remains at the disposal of the trade union's local branch and 60 percent of the social insurance funds is used for medical-health resort treatment purposes. And the social insurance dues proper are deposited to the individual worker accounts. Generally speaking, such practice is lacking in the "state" trade unions.

We repeat that this is an important aspect and yet by no means the chief one. The value of "Solidarnost" lies in the fact that it strives to combat illegal actions using legal methods. During the last year alone, it succeeded in saving more than 15 million entrepreneurial rubles which the state had attempted to obtain by means of unjustified fines and legal actions.

Tens of millions of rubles were left untouched as a result of timely economic and legal consultations, for which more than 600 entrepreneurs and cooperators had applied. And the need for such assistance will only increase in the future. Meanwhile, "we play in the market," promising paradise to one and all as a result of flourishing business activities and business-like enterprise and we monitor closely these same business-like and enterprising individuals and all who are not lazy.

"You are aware that in accordance with the existing statute the maximum permissible profitability is 25 percent. Everything above this figure is immediately withheld in favor of the budget," stated Aleksandr Nikolayev, chairman of the Union of Cooperators and Entrepreneurs in the city of Makeyevka. "Thus I go to the inspectorate where, in accordance with the instructions, they calculate the profitability of my enterprise. They reveal the result—270 percent! But thank God I have an economic education and thus I ponder how the profitability is computed. We recalculate the figures together—a figure of 25 percent is obtained. But is this really the problem? Who profits if we are strangled while still in the cradle?"

Unfortunately, this question is not so much rhetorical as it is dangerous, particularly when you consider that up until now raw materials and other materials have been sold to cooperators at prices which surpass the state prices by a factor of eight. With persistence worthy of the best use, the cooperators and entrepreneurs are "visited" by the tax and financial inspectors of the OBKhSS [Department for Combating the Embezzlement of Socialist Property and Speculation], KGB and the office of the public procurator.

Fine, it would appear that this money is used for a good purpose. But indeed here is what happens. In Donetsk Oblast, where the "Solidarnost" Headquarters is located, it was only recently that an acute shortage of builders was experienced at state projects. High class professionals went to cooperatives in order to make a living. And in

order to prevent a run-off of personnel, the local authorities suddenly made the wages for their "own" builders higher than that for those attached to cooperatives. If you thought that a radical administrative reorganization would change the principles for financing and other operations, then you would be wrong. By means of taxes from cooperators being added to the local budget. This would not serve to improve the quality of the construction operations.

With regard to this sharing, the population has no feelings one way or another. Meanwhile, on dozens of occasions the entrepreneurs have attempted to find a common language with the authorities, proposing one social program after another "in exchange" for honest partnership relationships.

But what is going on there? Not only is the customs house not doing any good, but in fact it is doing everything possible to delay private business undertakings. And the most powerful destructive lever in its hands is taxes. Although by law provision is made for only six different types of taxes, any cooperator will say that he is paying for 21 types. As a result, only 16-17 kopecks remain after each ruble of expenditure.

There is no stability even in our present draconian legislation. For example, corrections were introduced into existing law in the Ukraine on six occasions and they were all directed towards making the laws tougher. Thus, on one fine day in Donetsk, 40 cooperators were utterly ruined through manipulation of the turnover tax. Another correction (imposed in the form of an anti-crisis measure) legislatively forbid cooperators and entrepreneurs from spending their own vital money for consultative and information services or for scientific-technical studies.

In the words of "Solidarnost" consultant and Doctor of Economic Sciences Roman Kvasov, only civilized taxation can save private business undertakings. Today, notwithstanding all of the endorsements for equality in the forms of ownership, inequality still exists. And it can be eliminated only through law and only law.

This is why, based upon initiative displayed by "Solidarnost" in the Moscow Scientific-Research Financial Institute, an alternative draft law on taxation has been prepared. In brief, its essence is as follows. A tax has been proposed for surplus value in the following amounts: 10 percent for goods of priority need, 30 percent for luxury items and 20 percent for all of the remaining types of products. Income tax must not exceed 25 percent of profit for all without exception. Since for the development of private business activities, extreme importance is attached to stability, the taxation amounts for the various types must be established for 5 years and not be subject to "correction."

Beyond any doubt, the second part of the draft law—concerning personal income tax—is of interest. The taxes are withdrawn from annual income taking into account indexing. An income of 8,000 is generally not

taxed. Up to 40,000—15 percent. From 40,000 to 300,000—according to a progressive scale. Above 300,000—according to an inverse scale. That is, the higher the income the smaller the amount of tax. Is this unfair?

The chief of "Solidarnost's" Legal Department, Nadezhda Myagkova, is confident that it is fair:

"If we are serious in wanting to create a market economy, we must cultivate the class of owners. And only taxes can help to do this—the people will cease fearing to become rich and they will begin to create capital and invest funds in the production of precisely those goods which are needed by all."

It is in this manner that "Solidarnost is striving to implement the slogan "Your Problems—Our Concern." It is hoped that this will not be the fate of only the entrepreneurs' trade union. It bears mentioning that on 13 November, in the USSR Ministry of Justice, it was registered and certified and henceforth will be known as the Interpublic Association of Trade Unions. It makes sense to retain its former title of "Solidarnost."

### Strike Over Oil Pricing Policy Imminent

924A0313A Moscow IZVESTIYA in Russian 11 Dec 91  
Union Edition p 8

[Article by K. Lyzhov: "Filling Stations May Be Closed Tomorrow"]

[Text] Strike committees are being created at filling stations in Moscow, St. Petersburg, Perm and Irkutsk. An all-russian strike by AZS's [filling stations] and petroleum bases may commence any day.

As reported to us in the state Rosnefteprodukt Concern, the principal reason for the dissatisfaction—insufficiently considered policy by today's Russian Government in the area of prices for petroleum and the products obtained from its processing.

In the words of the chief of the concern's Main Economic Administration, V. Vasilevskaya, the petroleum products supply system has imposed conditions upon Russia under which the products of petroleum refining plants must be purchased at frequently raised and often free prices, with gasoline being sold at strictly fixed prices.

This situation developed during the period that Pavlov was premier. At that time, he adopted a decision which called for the prices for petroleum raw materials to be raised by roughly 60 percent, with the price for gasoline (40 kopecks per liter) remaining at the former level. However, in order to make it possible to survive under the new conditions, Pavlov promised to abolish the turnover tax. The Russian leadership seized the reins of power.

As a result, the Rosnefteprodukt Concern sustained losses amounting to 1.5 billion rubles. At the present time, 25 of its 80 oblast subunits are for all practical purposes bankrupt.

All of the above aroused dissatisfaction among the operators, trouble shooters and other AZS and petroleum base workers, since it was they who had to pay for

the experiments carried out at the state level: the average salary for workers attached to the petroleum products supply system of Russia is 330 rubles (certainly, provided unearned income is not taken into account).

It is obvious to all that the filling stations and petroleum bases will be closed down if the situation does not change in the near future.

## CIVIL AVIATION

**Air Transport Association Created**

924A0265A Moscow VOZDUSHNYY TRANSPORT  
in Russian No 48, Nov 91 p 2

[VOZDUSHNYY TRANSPORT report on formation of an air transport association, including the text of a letter to the leaders of the sovereign republics: "An Association of Air Transport Operators Has Been Established"]

[Text] On 16-17 November a constituent meeting took place in Moscow at which future activities of the erstwhile monolithic structure known as Aeroflot were determined. The fully empowered representatives of 172 aviation enterprises, companies, concerns, and scientific research institutes from all the former Union republics (except for Lithuania) formed the Aeroflot Association of Air Transport Operators. It is a nonstate, voluntary association that set for itself the following goals: to promote entrepreneurial activity by aviation enterprises under market conditions, protect their commercial interests and the social rights of collectives of aviation workers, concentrate and coordinate efforts to satisfy the requirements of the public and national economy for air movements and aviation work, and insure flight safety and scientific and technical development.

The text of an agreement, the rules, and a letter to the leaders of the sovereign republics and states and the chairman of the Interstate Economic Committee, Prime Minister of the Economic Community I. Silayev, which contains an appeal for cooperation in the activity of the Association of Air Transport Operators (AEVT), and also a request to accelerate the creation of an interstate organ under the Interstate Economic Community to regulate the activity of civil aviation, were drawn up. V. Kurilo was elected president of the AEVT.

Russia's minister of transport, V. Yefimov, and his first deputy, A. Larin, attended the meeting and spoke there.

**To the Leaders of the Sovereign Republics and States.  
To the Chairman of the Interstate Economic Committee,  
Prime Minister of the Economic Community Comrade  
I.S. Silayev.**

On 16-17 November a constituent meeting attended by the fully empowered representatives of 172 aviation enterprises, aviation companies and concerns, and scientific research organizations and training establishments for civil aviation in Russia, Ukraine, Belarus, Kazakhstan, Uzbekistan, Tajikistan, Kyrgyzstan, Turkmenia, Moldova, Georgia, Armenia, Azerbaijan, Latvia, and Estonia, formed the Aeroflot Association of Air Transport Operators—a nonstate, voluntary association that has set as its goal the promotion of entrepreneurial activity by aviation enterprises under market conditions, protection of their commercial interests and the social rights of collectives of aviation workers, the concentration and coordination of efforts to satisfy the requirements of the public and the national economy for air

movements and aviation work, and to ensure flight safety and scientific and technical development.

The need to create the association stems from the continuing process of the worsening of the critical status of civil aviation associated with the imbalance in the economic system and the uncontrolled increases in the prices of aviation equipment, fuel, and spare parts while rates for aviation transport have been fixed.

At this time most of the aviation enterprises are facing bankruptcy.

The unstable financial situation of the aviation enterprises is making it impossible to replace the very worn out inventory of aviation equipment, modernize the ground infrastructure, improve the quality of service for passengers, and resolve the social tasks of the collectives.

Lack of agreement between the sovereign republics and states with respect to the activity of civil aviation, the use of airspace, and mutual recognition of existing legislative and enforceable enactments is creating conditions for lowering the level of flight safety.

Uncoordinated policy in the field of international air movements is leading to serious economic losses and a decline in the country's prestige in the international air movement market.

Under the conditions that have taken shape only a voluntary association of aviation companies, concerns, plants, scientific research organizations, and civil aviation training establishments, including the newly formed alternative commercial enterprises, can ensure further development of air transport and satisfy the requirements of the public and of the national economies of all the sovereign republics and states for air movements.

The Association of Air Transport Operators is not setting for itself the goal of replacing state organs, and it is not assuming the functions of state management and regulation of civil aviation. The association will build its relationships with the fully empowered organs of the sovereign republics on the basis of cooperation in solving general problems.

The founders and participants of the association believe that it is necessary to set up as soon as possible an interstate organ to regulate the activity of civil aviation in matters relating to flight safety, air traffic control and the use of airspace, certification of air and ground equipment and objects of civil aviation, personnel training, and working out an agreed economic, scientific and technical, and international policy for the sovereign republics and states.

At the same time the founders and participants of the association deem it necessary and possible to assume the responsibilities and rights associated with the name and company of Aeroflot in order to support operations in the unified economic space of the sovereign republics (and states) and at the international level since during the reorganization of the USSR Ministry of the Aviation



Industry the legal entity known as Aeroflot may be lost, which will lead to a significant increase in hard currency losses and cutbacks in hard currency earnings.

The meeting appeals to the leaders of the sovereign republics and states and to the Interstate Economic Committee as follows:

- to help in promoting the activity of the Association of Air Transport Operators;
- on the legislative level, and taking into account the interests of the sovereign republics and states, to deem the Association of Air Transport Operators to be the successor to Aeroflot for the required period until interstate (interrepublic) agreements on air communications on domestic and international routes have been brought into good order;
- to accelerate the development of an interstate organ under the Interstate Economic Committee to regulate the activity of civil aviation.

In turn, the collectives of the aviation enterprises who are participants and founders of the Aeroflot Association of Air Transport Operators will make every effort to insure the further development of civil aviation in all sovereign republics and states.

Adopted at the 17 November 1991 Moscow meeting of the founders of the Association of Air transport Operators.

#### **Moscow-Tel Aviv Flight Inaugurated**

*OW1511131791 Moscow INTERFAX in English  
0750 GMT 15 Nov 91*

[From "Soviet Business Report"; following item transmitted via KYODO]

[Text] The Russian aviation company, Transaero, launched its first international route last week with a flight connecting Moscow and Tel Aviv. Granted a certificate and route licence by the Soviet Civil Aviation Ministry, the company was also registered with ICAO, the International Civil Aviation Organisation.

A Tu-154M plane leased from Aeroflot—Soviet Airlines made the inaugural flight, with 124 passengers on board.

#### **Hard Currency For Flights Abroad Planned**

*924A0273A Moscow IZVESTIYA in Russian 29 Nov 91  
Union Edition p 7*

[Article by S. Taranov: "An Airplane Ticket to America Could Cost 112,500 Rubles and Possibly 165,000—and This Is Not the Limit...."]

[Text] IZVESTIYA has already reported on the threat of a catastrophic increase in the price of railroad tickets for foreign travel. Beginning with the new year, a trip to Paris, for example, could cost 27,000 rubles if the state does not concern itself with a hard currency subsidy for the Ministry of Railroads. Railroad workers will either

have to cover trips abroad entirely or set a ruble price for tickets considering the dollar's market exchange rate. Such a "welcome" prospect has plunged those wishing to travel further than Brest into genuine shock. Now, however, the shock may apparently change into solid despair: Aeroflot may also shift to paying for tickets considering the dollar's market exchange rate immediately after the Ministry of Railways.

Now, at the end of November, Aeroflot ticket offices are not selling tickets with a flight departure date after 1 January. No one knows what the "New Year's" price will be. There are two possible alternatives: Either we will pay for everything in hard currency and, moreover, at average world prices or we will pay in rubles but many-fold, many-fold more than now. The problem here does not at all lie in some special mercenary desire or egoism of the transport departments.

Few know how the price of an international airplane ticket is set. In contrast to our domestic and extremely arbitrary prices, the payment for a flight abroad is based on a ticket's initial dollar cost. Aeroflot is "bound" by international obligations; one of the main ones is to set prices at the average world level. If, for example, Pan American charges approximately 1,500 dollars for a trip from New York to Moscow, Aeroflot and all other airlines do not have any right to lower this price substantially. A round trip ticket to the United States now costs approximately 5,000 rubles; at its base are those same 1,500 dollars multiplied by 1.6 (this is still the state commercial exchange rate for the dollar with respect to the ruble). If one purchases dollars at a rate of 1 to 75, a one-way ticket would cost 112,500 rubles. If, as the Russian government has promised, the state establishes an auction (exchange, free) dollar exchange rate within the country (it is now 110 rubles per dollar), it is not difficult to calculate the shape a trip to America could take, namely: 165,000 rubles plus or minus several thousand. If the worst forecasts of economists come true that the dollar's exchange rate will be 300-350 rubles with the introduction of free prices, one will have to talk only in the subjunctive mood about a flight to somewhere. Such an expensive pleasure would only be accessible to enterprises and organizations with a stable hard currency income and to super-profitable commercial organizations like the Alisa and Menatepa exchanges.

Moreover, the problem of journeys abroad—if, of course, one does not look upon it from the position of the "non-traveling" average man—can look like political and social complications. Shuttle dealers, who provide commercial "brokers" with trousers and lighters, rush repeatedly to other countries. With what should we pay the crews of commercial and fishing vessels? For what millions will a theatrical troupe or sports team be sent to the United States or Japan? And what about the "children of Chernobyl," who travel by the thousands for treatment and rest (in the majority of humanitarian actions and so-called exchange trips, incidentally, foreign partners and benefactors do not purchase tickets for

transportation)? Finally, international tourism and the contacts with foreign countries of small and medium businesses, which have not become firmly established, will curl up without a trace. Millions of people will understand that an even stronger monolith separating the former USSR from the rest of the world has suddenly risen up to replace the previous communist "iron curtain".

Two alternatives for solving the problem are seen—or, more accurately, two approaches to its solution. The first is to let everything take its course: The state refuses to pay for the hard currency expenses of transport enterprises and they, in turn, operate according to the circumstances, providing services to foreigners and exceptionally wealthy fellow-citizens. True, there is a danger that the customers will not want Aeroflot's service for this money but will prefer Lufthansa and JAL.

The second alternative: In the future, the state will serve as a hard currency "sponsor" for the Ministry of Railways and Aeroflot and support ticket prices if not at the present level then at a level accessible to many. This, of course, will be a constant headache for the union-wide and republic governments (where to get the hard currency for the subsidy?)—add to this, the temptation to end "extravagance" under the conditions of the financial famine.

However, who has calculated what self-isolation from the world will cost the country and its individual republics and when was it calculated?

### **Liberalization Means Foreign Currency Problems for Aeroflot**

*PM1012171391 Moscow IZVESTIYA in Russian  
3 Dec 91 Union Edition p 2*

[Interview with V. Tikhonov, chief of Civil Aviation Ministry International Commercial Administration, by V. Belikov: "Aeroflot: You Will Not Fly Abroad With Rubles Alone"]

[Text] What will be the consequences for Aeroflot's international flights of the liberalization of foreign economic activity in Russia which is being introduced in accordance with the well known decree of the RSFSR [Russian Soviet Federated Socialist Republic] president? V. Tikhonov, chief of the Civil Aviation Ministry International Commercial Administration, replies:

[Tikhonov] The consequences of implementing the decree are obvious: A big currency deficit will be formed at once, as was the case 12-18 months ago. We will be faced with the need to "buy in" the missing currency on currency exchanges at the prices which will evolve spontaneously there, according to the laws of the free market. I will remind you that the fixed rate of exchange for the ruble against foreign currencies set by the USSR State Bank (\$1=1.8 rubles) will cease to operate on RSFSR territory as of 1 January 1992. It cannot be ruled out that different exchange rates for the ruble or the new local

monetary units against the dollar will be used in the sovereign states making up the future Union. This could result in a substantial difference in the level of ruble tariffs between Moscow and New York, let us say, and on the Kiev-New York route, which is a comparable distance.

[Belikov] What is to be done?

[Tikhonov] Today we see two possible options for resolving the problem of obtaining the necessary funds to continue flights abroad with the former frequency of flights and diversity of routes. Under the first option Aeroflot is taken out of the present regime of currency cost recovery, and the state meets part of its expenditure in freely convertible currency. At the same time the ruble equivalent of the tariffs on international routes will mean that the state subsidizes Aeroflot's conveyance of foreign citizens, who will start to pay in rubles for conveyance on RSFSR territory.

I believe—V. Tikhonov emphasized—that under market conditions the other payment option for international journeys by air is preferable both for Aeroflot and for the state. A "currency plus rubles" combined tariff should be introduced throughout the territory of the Union of Sovereign States. Thirty percent of the published price in dollars (it is set by international agreement and is obligatory for all airlines) is met in currency. The remaining 70 percent of the cost is paid in rubles at a special Aeroflot exchange rate, which would be considerably less than the market rate but would ensure that the Soviet airline's ruble expenditure was met under conditions of the introduction of free prices in the country and would make it possible to set a tariff level acceptable to the majority of citizens.

### **New Section Chief on Aviation Operations**

*924A0298A Moscow VOZDUSHNYY TRANSPORT  
in Russian No 50, Dec 91 p 4*

[Interview with V.V. Potapov, general manager of the TsUMVS [International Air Services Central Administration], by VOZDUSHNYY TRANSPORT correspondent B. Sidorenko: "Concern About Tomorrow"]

[Text] *We are continuing to acquaint you with the new managers of civil aviation structural units, dear readers. Today, VOZDUSHNYY TRANSPORT correspondent B. Sidorenko interviews V. Potapov, who assumed the position of general manager of the TsUMVS more than six months ago.*

[Sidorenko] Vladimir Vladimirovich, you became the TsUMVS general manager at a very difficult time for the country and for civil aviation. What do you consider your top-priority tasks?

[Potapov] The main objective now is to retain our position. Aeroflot is maintaining a stable position on international routes at present. We are fulfilling our plan for receipts, although the passenger flow has declined.

In a difficult period such as this, we have to devote attention to our social plan first of all, of course. This means wages, housing construction, and a number of production facilities. Naturally, we need foreign exchange for these purposes. But this is a very complex problem at present, because of the system for foreign currency regulation which now exists. Meanwhile, we are not receiving any large profits, since we have to spend foreign exchange for everything on foreign flights. And some of it goes for payment in accordance with the contracts and agreements concluded at one time by the Ministry of Civil Aviation and other administrations which made international flights.

Generally speaking, it is a difficult situation. But I have been here for six months now. And I am maintaining our position and dealing with these matters to one degree or another.

[Sidorenko] The TsUMVS and the market. What can you tell us today about your administration's transition to market relationships?

[Potapov] It is common knowledge that we have been operating for a long time under market conditions. This is not the first year that there have been assigned routes for Aeroflot flights abroad. We are making 90 percent of all these flights. New directions are being added each year.

But naturally, we have to make a substantial change in Aeroflot's appearance and display its new image in order to compete successfully with other airlines.

There are several important problems here. They include the aircraft, ground facilities, and the in-flight service.

A certain amount of work has already been done in these areas. When I held the position of first deputy, a number of problems were resolved to a certain degree. So we have to bring what was started before to a logical conclusion.

With respect to the ground facilities, construction of a hotel is being completed. Its opening is planned for January. To a large extent, establishment of the "Aeromar" joint venture has resolved the problem of in-flight service. The lack of dishes was a big problem. But we concluded a contract with one of the firms here as well. Today the quality of our tableware is good.

Bringing our stock of aircraft engines up to date is a very difficult problem. In the meantime, we cannot count on bringing them up to date with Soviet equipment, although the Il-96 has already been put into operation. A decision was made previously to purchase the A310 Airbus. We are planning to have the first aircraft of this type fly to Sheremetyevo in December. In the future, it will be serving all those routes which yield the largest income and which Aeroflot must retain. These include the Tokyo route first of all, as well as routes to Europe, Paris, Frankfurt, Rome, and London.

Service in the air terminal complex is one of the most important problems. Sheremetyevo-2 has practically exhausted its capacities already. Last year they accommodated a little over six million passengers, which is clearly insufficient. And this is the critical problem: how to increase its throughput capacity by changing the technology and restructuring. The decision has already been made to renovate Sheremetyevo-1 with the help of foreign investments in order to bring the number of international passengers up to 18 million annually.

Now about the social problems, housing construction in particular. Several buildings are under construction. We have arrangements. But now, under the conditions of a market economy, we need foreign exchange as well here. So we have plenty of critical problems.

I think the fact that we are planning to establish a free enterprise zone at Sheremetyevo and in quite a large amount of territory adjoining it in the near future will help a great deal in reaching a solution to the problems we are facing. We plan to start up and organize production there which is needed to maintain the conditions necessary for all airlines making international flights. I am not even mentioning the fact that there will be a business center here and that passengers and all employees in the zone will be provided with the appropriate conditions. We hope to accomplish all of this—and we already have a number of joint arrangements with the Moscow Soviet and the Moscow Oblast Ispolkom now.

[Sidorenko] Vladimir Vladimirovich, we know a movement is under way in civil aviation to separate airports from airlines, to make them independent. We recall that one of the minister's first orders in this connection was on Sheremetyevo Airport. How is this process taking place?

[Potapov] I have had occasion to work in various positions. As an airport manager, I supported this concept, too. In my time we had the Sheremetyevo International Airport with the Sheremetyevo-1 and Sheremetyevo-2 complexes, which were granted full rights. Although these rights were also limited by the existing laws on financing, in accordance with different funds, and so forth.

When I became general manager, I studied this situation closely, and I am considering it now by taking today's realities into account. I believe that at this stage, we cannot completely separate Sheremetyevo Airport from the airline. Because those problems we have already mentioned can only be resolved through joint efforts now.

Just take the renovation of Sheremetyevo-1. This costs 800 million German marks. If we take the TsZS [centralized aircraft refueling], that adds up to tens of millions more. Or construction of the hotel—that is hundreds of millions more. That is, large amounts of investment are required. And they will be given under some kind of guarantees, for a specific volume of work.

We are now resolving this problem by joint efforts. But it would be quite difficult to resolve for a Sheremetyevo Airport which survives only on what the city provides. There should be some kind of linkage. We see an arrangement such as this here: an international airport existing on a voluntary basis within the framework of a commercial production association. Then this association is interested in its development and investment in it, and there is a mechanism for its recovery. But under the difficult situation which exists in the country, the Moscow Soviet certainly will not find enough money and investments, either in rubles or foreign currency, in this stage to put the airport on its feet.

Nevertheless, we are giving the airport full independence. Today it is a separate structure with all its financial indicators and its own balance. But it exists within the framework of an association where joint interests are taken into account. Representatives of Moscow, Russia, the airlines and the airport are in the association. Questions important for the airport and its current status and development will be put on the agenda as well, of course.

The airport has already been registered as an independent enterprise, and it has its own current account. In a word, everything necessary for it to operate independently.

[Sidorenko] One of the most important problems—it is mentioned often now—is how to make efficient use of the space occupied by the airport and the adjacent territory to attract as much profit as possible. What is being done in this connection?

[Potapov] First of all, we are establishing several joint ventures in this space. The main objective is to obtain additional funds to develop production, to improve the quality of passenger service, and to provide the service needed.

Here is a specific example. One of the joint ventures sells commodities for passengers based on duty-free trade. If this enterprise did not exist, we would not have a new hangar to service advanced aircraft today. Construction of a hotel is being completed as part of the activity of the SP [joint venture]. We would not have this new construction without the joint venture.

In the first stage—1989 and 1990—many of our complexes proposed that cooperatives be organized to resolve problems related to passenger service, especially those which were chronically unresolved before. They provided considerable assistance. Especially those connected with the automated cargo complex. I would not say that everything has been taken care of there already. Numerous contracts need to be reviewed. Nevertheless, the most critical problem—rapid unloading of an aircraft—has been removed to a large extent. If it were not for these cooperatives, we would have incurred rather substantial losses.

Some cooperatives break away by themselves for different reasons—either because of a superficial conception of our production processes or lack of funds. But those that survive are providing us with substantial assistance.

[Sidorenko] We have already touched on this problem—what we will be flying in. You said the long-awaited Il-96 has finally made its appearance. What plans do we have to make use of this aircraft and when will it be put into service?

[Potapov] Flight testing is now in progress. It has two objectives, as we know—to verify how the aircraft was built and to train cockpit personnel and ground services for its operation. You realize that we will be receiving a small number of these aircraft. In the Moscow aviation hub, Domodedovo is applying for it as well. So the next aircraft will not be coming to us. In the meantime, we cannot fly regularly in one aircraft of domestic manufacture. We need a minimum of two or three aircraft to serve one route or another.

If later on we resolve the question of installing foreign engines on this type of aircraft, which will make it possible to change the fuel performance, as an example, the prospects for the Il-96 will be good. But there are quite a few problems here, all the same. For example, how do we solve the problem of navigation equipment and everything that goes into the cockpit and the passenger cabin? After all, everything that has long existed in the West should be provided for our passenger as well.

We regard acceptance of this aircraft very seriously. We plan to form a special subunit. We will do everything possible to put it into service as rapidly as we can. Occasional flights will be made as early as next year.

[Sidorenko] But in the meantime we have to count a great deal on foreign equipment?

[Potapov] Yes. The A310 Airbus is a trial balloon. This is an expensive project, of course, and it has not been studied fully in many respects yet. Nevertheless, we are being rushed by events to make use of the most profitable routes. We are applying procedures that have already taken shape—leasing for a certain period and bringing passenger service up to the appropriate level.

We have not been idle in improving the level of service, either. Together with the KB [design bureau], the manufacturing plant, and the GosNII [State Civil Aviation Scientific Research Institute], we are now resolving the problem of reequipping the Il-86. The General Electric firm, which is primarily interested in selling engines, naturally, has been included in this project.

But once again here, everyone is looking to see who pays for this project to obtain the finished product.

[Sidorenko] We need a cooperative effort in this work, of course.

[Potapov] Yes, we do, so that all the parties concerned bear expenditures in accordance with the plan.

What does this plan entail? We plan to install General Electric engines on the Il-86 and equip the cabin properly. But a considerable amount of money is needed. According to our preliminary data, we have to invest 673 million just to re-equip 20 aircraft, and then lease them in order to have a mechanism to repay the credit which is received.

[Sidorenko] In spite of all the difficulties, it seems to me that you have confidence in the future of the TsUMVS and its prospects for development.

[Potapov] Yes, it is important only for the collective to understand that our view of prospects and the future must take into consideration the concerns of today's employees as well as the generation that will replace them, our children. We have a responsibility not to lose the collective under the present conditions, when unemployment and labor exchanges have already appeared on the scene.

I will say again that questions associated with wages are very pressing in the present situation, when prices continue to rise unchecked.

## RAIL SYSTEMS

### Collegium on Railway Structure, Problems

924A0272A Moscow GUDOK in Russian  
21 Nov 91 pp 1-2

[Article by N. Davydov: "The Ministry of Railways Against the Background of Sovereignty: Notes From the Collegium"]

[Text] More than a two-month marathon of uncertainty and anarchy has ended in one-sixth of the world. True, what the union of sovereign states will now be called has still not been decided once and for all; however, reason has prevailed in the sense that the preservation of a central government, which is being delegated a number of distributive functions, has been recognized as advisable. Along with a unified armed force and banking and energy systems, the heads of the republic-states expressed unanimous support for the intention to keep a single railroad network among these functions.

However, the Ministry of Railways will now have to function in a completely new capacity. A substantial redistribution of rights and responsibilities is taking place between the central apparatus and the railroads. On the one hand, the latter are acquiring independence in the majority of technological and financial questions but are becoming practically completely dependent in a political respect on the sovereign leadership and government of the republic.

It is for this reason that agreement on the statute for the central management agency and on the organization of

the branch's financial basis was accomplished with great difficulty. It is sufficient to say that, during September-November when several stages of the meetings of the republic transport department directors, railroad chiefs and Ministry of Railways Collegium representatives occurred, the branch's headquarters transformation was first proposed as a rail transport corporation, subsequently a Ministry of Rail Transport and later a Ministry of Railways for the association.

It is difficult to say what there was more of in these vacillations from extreme to extreme—common sense or political ambitions. Some immediately called the transition to a corporation economic sabotage against transport. Others were convinced that only with such a central agency could the railroads of the sovereign republic-states be a part of a unified inter-republic formation. Still others declared that it is impossible to separate economics from politics and, therefore, called for the development of some kinds of new structures because the existing ones will not be able to function.

Of course, specific solution alternatives, especially regarding property, finance and technological problems are behind each one of these positions. As the "single and indivisible Russia" is going to pieces, so are they trying to pull apart the hitherto inviolable property of the railroads. A note has already appeared in the statute on the ministry: "The property of rail transport enterprises is the property of the republics (states), is allotted to these enterprises and belongs to them with the right of complete economic authority."

F. N. Kotlyarenko, chief of the North Caucasus Railroad, stated: "I still call upon the writers of the documents being submitted for approval to think well and truly about this wording. The disintegration of the Russian Federation has begun. There will soon be 10-12 sovereign states in the Caucasus region. The right to use property should not be delegated to us. They will take away and deprive us of this right. One must be sure to write that this is the property of the railroads...."

The directors of the Transbaykal, Baykal-Amur and a number of other mainlines expressed a similar point of view. It was pointed out that a very common seizure of property has already begun in the local areas under the slogan of privatization. It is necessary to put out a reliable covering force against this.

The branch's financial situation caused no less anxiety among the participants in the collegium. Numbers, which describe the situation as a critical one, rang out in the report. The sharp decrease in freight and passenger traffic has led to a reduction in income. There is now a shortage of more than 3.5 billion rubles to pay for new rolling stock and finance 13 major construction projects.

The slump in production is continuing. It is expected that a reduction of more than 15 percent from the

present level will occur next year. Without state subsidies and with the maintenance of the present tariff level, this will threaten bankruptcy and an increase in unemployment.

A. I. Dovgyailo, chief of the Transbaykal Railroad, said in his presentation: "As you know, the railroad workers at the Chita-1 hub recently organized a warning strike. The people are demanding a wage increase and an improvement in the food supply. Doctors and teachers are in an especially serious position. A total of 1.5 million is needed to raise their pay quickly. Otherwise, people will leave us because the Russian republic's budget organizations are raising rates on 1 Dec. The only way out is to increase tariffs. One should not wait for permission and instructions from above: Frozen tariffs are an absurdity with free prices!"

Jumping a little ahead, I will relate how G. M. Fadeyev reacted in his concluding remarks to this and a number of the other presentations touching upon the same problems:

"Passenger traffic alone will cause us about a billion rubles in losses this year. Thus, it is time to determine tariffs.... I think railroad directors should avail themselves of the expanded rights already stipulated in the documents being discussed and immediately increase local tariffs, taking into consideration that their budget organizations will raise wages this year...."

I will not remind you that the branch directors once gave such advice to the Collegium. Never before this, however, did railroad and division chiefs discuss a statute concerning their directing agency and the rights and functions that should be delegated to it in the area of organizing the management of the transport process, economics, finances, technical policy, material and technical supply, foreign economic activity, and even cadre. This is understandable. The economic mutual relations in the country are being revised and market structures are appearing in an ever more practical manner. Although transport is still outside these structures, the specific nature of its products and of their calculations prompts one to look for new forms for financial and economic activity. In particular, the joint drawing up with republic (state) agencies of annual and long-term forecasts for rail transport's social and economic development and the organizing of marketing research to study the demand for freight and passenger shipments are envisaged.

Plans are plans but those assembled greeted the presentation of A. A. Zaytsev, chief of the October Railroad, with obvious interest. In a shorthand form, it looks like this. Railroad workers are in a state of siege in connection with the devolution of power. Last year, the mainline's collective received less than one-fifth of the necessary material and technical resources; now, it is amounting to less than 15 percent. Repeated appeals to the leaders of the country and the republics have convinced one that they do not plan to solve transport's

problems. That is why the staff of the railroad adopted a decision to put commercial levers into effect in order to work with profit on market principles.

Without destroying the structure of the Ministry of Railways, the October Railroad Joint-Stock Company has been established. Its bank, transport exchange and insurance association form its basis. The railroad's management owns 51 percent of the stock. Control over the property is thereby maintained but freedom of economic activity is granted. Questions concerning not only property but also tariffs are being automatically solved within the framework of the joint-stock company.

Anatoliy Aleksandrovich said: "If we separate economic activity from politics and travel along this path, then—without infringing upon the rights of the republics—we will cease to be a headache for them and the central government!"

As confirmation, the railroad chief cited the example of the Gelleflint Association which has engaged in financing the designing and construction of a crushed-stone plant in Kostomuksha and the new Ledmozero-Kochkoma rail line. The enterprise shareholders consist of the October Mainline's administration, the mayors of Moscow and Saint Petersburg and a number of organizations and enterprises interested in supplying such scarce construction materials as gravel, crushed rock and lumber. Not a single ruble has been taken from the state for this commercial construction project and the work is taking place at full speed. It could be completed about a year and a half earlier than planned.

Unfortunately, this was all completely new to many railroad directors. That is why their presentations both began and ended with alarm regarding the shortage of assets and material and technical resources and the "explosive" or "pre-strike" situation connected with the rail workers' serious social conditions. Practically everyone saw the way out of this situation to lie in one direction—a sharp increase in the tariffs for shipments. The only difference was that some proposed raising them threefold-fourfold and others fivefold-sixfold or even more.

The position of the Belorussian Railroad's leadership and, of course, the republic's government stands out somewhat constructively against this background. S. I. Shkapich reported that Belorussia's Ministry of Transport proposes to establish a tariff committee which will work on developing a tariff policy. The republic's government has decided to still allocate rail workers approximately 100 million rubles for acquiring the necessary resources. The fact that the Belorussian Railroad has already joined the republic's banking structure should have a positive effect on solving the region's transport problems.

If B. S. Oleynik, chief of the Southwestern Railroad, and E. F. Abdullayev, chief of the Azerbaijan Railroad, had not spoken, then it would probably have been possible to talk about a serious consolidation of the documents,

which were submitted for review, in accordance with all the main propositions. There were enough remarks and more precise definitions; however, with the exception of the problem of establishing a financial reserve for the branch, alternative versions for the amount of the tariffs and some scattering of opinions regarding hard currency and personnel matters, all the rest seemingly fell under a common denominator.

It is extremely complicated to comment on the presentation by the representative of the Ukraine's railroads (Boris Stepanovich did not conceal the fact that he was speaking in the name of the directors of the six railroads). He stated that it was necessary to rework completely such-and-such sections of the documents being submitted. Concerning the others, he said that they did not pertain to the functions of the Ministry of Railways. A whole series of specific points touching upon financing, material and technical supply, trade services, etc., were criticized. All this appeared not as well-wishing criticism but rather as some kind of ultimatum.

The speech by Elbrus Farmanovich Abdullayev, who gave an interview not long before the Collegium to a GUDOK correspondent in which he unreservedly supported the unity of our rail network, was also frankly astonishing. He called many statements in the documents vague, expressed doubt about keeping the old name (Ministry of Railways), and stated for some reason (?) that "it is impossible to counterpoise the network's unity to the republics' independence." Later, he expressed the conviction that there should be some kind of inter-republic agency—a council for managing rail transport—instead of a Ministry of Railways. Why? In order not to violate the normative acts adopted by the republics.

The working commission, which prepared these documents, will decide how serious the reasons of the inciters of calm are. It includes representatives from all the republic-states and will work up a draft decision for the Collegium. However, here is what is interesting. When it was suggested that a vote be taken to adopt the documents being discussed as "the basis"—no one was opposed and no one abstained!

I doubt whether this means that the existing contradictions have been basically resolved and that there are no serious obstacles for the harmonious operation of the railroads. The problem of the railcar pool alone, which is still considered the joint property of the republics, can cost enormous unforeseen expenditures if they begin to make much of it. With the required division, it will be necessary to increase the railcar park by 300,000-350,000 units at a minimum. There are many acute problems like this.

Thus, the conclusion can be drawn that a truce was achieved during this stage. The conclusion of an economic agreement and the formation of a union of sovereign states have surely contributed to this. It is now necessary to complete the documents as quickly as

possible and think about the social protection of the railroad workers under market conditions. Otherwise, it could happen that there will be a shortage of workers in the main transport professions here and there.

### **Railway Deputy on Structure, Operations**

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[Article by Gennadiy Fadeyev, first deputy USSR Minister of Railways: "The Railroads under the New Economic Conditions"]

[Text] A fundamental reform of the industry's administrative structure has to be carried out and the new tasks, functions, rights and the responsibility of the ministry as an inter-republic (inter-state) organ for the management of mainline railroad transport determined, taking the opinions of the republics, railroads and enterprises into account. The task was essentially formulated in this way by the State Council, which recently took a definitive decision concerning the retention of the Ministry of Railways. And this needs to be accomplished under conditions of a drastic fall in the volume of traffic, an enormous shortage of monetary funds and material resources, the growth of prices, the absence in a number of regions of a foodstuffs system, and impending unemployment.

The railroads operate today under complex conditions. Unfortunately, the processes which are destabilizing the country's economy are accumulating. They have hauled 264 million tons less cargo in 10 months in comparison with the corresponding period of last year while passenger traffic has shrunk by 37 billion passenger-kilometers. The rate of profit has dropped by 61 percent because of the significant increase in the prices for the resources consumed and the fall in the volume of traffic. Because of the decrease in the volume of industrial production the annual shipment of cargoes will amount to about 3.5 billion tons, which is 9 percent lower than last year's level, while passenger traffic is almost 11.5 percent lower.

It should be noted that the industry entered 1991 with a shortage of financial funds amounting to 15.9 billion rubles. We were given help during the year in the amount of R5.4 billion. In turn the railroads found additional sources for obtaining funds, which has permitted a reduction in the deficit by R4.3 billion more. However, we have not succeeded in fully making it up. As of today we lack R3.6 billion just to pay for rolling stock and to finance the most important construction projects. Our joint proposals of the Ministry of Railways (I'm thinking of the railroads and the collegium as well as of the USSR Ministry of Finance and Ministry of Economics and Forecasting) are now in the Inter-state Economic Committee. We think that it is simply dangerous for the Committee to delay a solution of this problem further—we are on the brink of bankruptcy.



The collegium has worked together with the roads and the trade union in searching for ways to get out of the crisis. Several problems have been successfully resolved during the year. In particular, since May the wage rate has been increased, the rates for freight and passenger transport operations have been revised, the list of occupations which give a right to preferential pensions has been expanded and war veterans have finally been placed on the same footing as war participants.

However, the situation which is developing has confronted us with new and even more complex problems. Primarily this concerns the two chief questions which will determine the fate of the industry, the stable operation of the system and, hence, also the social protection of the system's working people in the next few years. This is the role and place of the industry's staff in the life of the steel mainlines and the organization of railroad transport's finances.

In proceeding to the development of the Statute on the Ministry of Railways and of the documents on the organization of finances, we took into account and based ourselves on three principal factors:

first—the existence of independent and sovereign republics (states);

second—the intensive process of setting up market relationships and structures as a result of which the economic independence of the basic link of railroad transport, the railroads, would be fully consolidated;

third—preservation of the unity of the system of railroads and of the basic principles for the management and interaction of the subdivisions of transportation's economic complex as the guarantor of steady operation and of the stabilization of the economic situation in all the republics.

It is important to note that the content of these documents was discussed in the system. Ministry leaders went simultaneously to all the republics for coordination. In particular, I was charged with coordinating our concept with the government of the Russian Federation. As of today Russia, Belarus (Belorussia), Ukraine, Uzbekistan, Azerbaijan, Tajikistan, Kyrgyzstan, and Moldova, as well as all the railroads (except for the Baltic states), have supported the draft documents with respect to the basic questions and the majority of them have given their comments and proposals which have been reflected for the most part in the revision of the documents.

The treatment of the question of the ownership of railroad transport's property and its management is of fundamental importance. Here our position is that the property of the railroads and divisions and of other railroad transport enterprises, being state property, is assigned to these enterprises and belongs to them with the right to complete managerial jurisdiction.

This has been reflected in the new version. The Collegium of the Ministry of Railways had agreed with the proposals of the roads that the question of freight cars and containers be handled separately. We are convinced that to ensure normal transportation service for all the republics freight cars and containers should be the joint property of the republics (states) and their management should be carried out by the ministry on a basis agreed upon with the railroads.

Estimates indicate that if the rolling stock is divided by republics the number of cars needs to be increased by a minimum of 300-400,000 units in order to achieve the traffic volumes. From the material or financial aspect it is essentially impossible to do this at the present time and even in the very near future.

At the same time the collegium supports the proposals of some republics about transferring part of the fleet of freight cars being used on industrial circular routes to the jurisdiction of the roads or other republic enterprises to service republic traffic.

One should especially dwell on the question of managing the railcar system. Its condition is serious and has a tendency toward worsening. There are more than 200,000 cars with damaged bodies in the fleet today. Our attempts to find economic levers to interest the railroads in improving the fleet have so far not yielded any results. Both the Railcars Main Administration and the industry's scientific establishment should actively continue the search for ways of improving the management of the railcars, which would permit one to really set the state of affairs right. In essence one needs to find a boss for the railcars.

Now about the privatization of railroad transport's property. The new version of the documents which have been drawn up on this question permits it, but at the same time protects against accepting the independent decisions of local organs. Why, let's say, cannot one privatize not very active and unprofitable sections that operate locally or individual small auxiliary enterprises? However, in any case, privatization ought not to be carried out without taking the opinion of the railroads and the ministry into account and can be accomplished only by a decision of the governments of the republics (states) and not that of local authorities.

The question of the nonconcurrence of the boundaries of the railroads and of inter-republic boundaries pointedly arises in connection with declaring railroad transport property to be the property of the republics. In our view, the boundaries of the roads should not be changed since they are closely connected with the technology of the traffic. At the same time questions of the inter-relationships with the budgets of the pertinent republics and of the reciprocal obligations regarding the maintenance of railroad transport property in such cases need to be carefully worked out. All the specifics regarding these questions should be determined by individual agreements.

In the area of organizing control of the transport process, the proposals of the roads basically come down to one—the ministry is not to establish standards for the



utilization of freight cars and containers. This could be agreed to but only under conditions of a surplus of rolling stock. Then the question would be regulated solely by the payment for their use. One can't do without setting standards under shortage conditions.

The task of compiling monthly shipment plans is closely intertwined with this question. The South Urals, East Siberian, Alma-Ata and Baykal-Amur roads propose eliminating this from the functions of the Ministry. However, it is impossible to develop rolling stock use standards without these plans and therefore one cannot agree with such a formulation and approach.

And yet a correction has been made in the new version of the Statute on the Ministry of Railways taking the comments of the roads into account. Now the functions of the Ministry in this draft will be for it to compile consolidated monthly shipment plans. That is, it will summarize the plans adopted by the railroads taking the requests of the shippers into account and will base its work on these data. Even though there are cases of the non-acceptance of the requested quantities of a shipment plan. Such complaints come from the Kuybyshev, Sverdlovsk and Alma-Ata railroads. However, an additional payment is required for the transport of the unaccepted volume as for above-plan shipments. In this case our shipper will remain unprotected. One needs to find a common denominator here so that the roads would take the interests of the shippers and the recipients into account in equal degree.

Moreover, additions have been made concerning the interrelations with the republics and other administrative organs. It goes without saying that in view of the republics' sovereignty a decision regarding railroad transport should not be taken without their participation, be they questions of long-range, technical or social development. However, control of the transport process should be accomplished from a single center. Otherwise chaos awaits the system.

This position has been reflected in the new version of the Statute. The force of the basic documents which regulate the operation of railroad transport—the Rules of technical operation and the Instructions for signalling in the entire network of railroads—is retained. This is the foundation of our unity.

In the area of scientific-technical policy and foreign economic activity the functions of the ministry have received the support of the roads; they did not have any serious comments essentially. The conduct of a unified policy in these areas will be coordinated not only with the governments of the republics but also with the railroads. There are no objections to the proposal of a number of roads that they can independently, in accordance with legislation in force, carry out foreign economic relations, as do other railroad transport enterprises. Many roads, such as the October, Moscow, Gorkiy, and Northern, have already initiated such activity.

The question of representation in international transport organizations is more complex. It should be reserved for the ministry at the present stage. I emphasize, at the present stage. A change in the procedure which has developed requires the revision of numerous agreements, additional expenditures of foreign exchange and, most importantly, is not supported by the international community.

Now about personnel. Here the spread of opinions is rather broad. Some roads, and they are a minority, propose relieving the ministry of this function: others, on the other hand, propose strengthening this control lever. We think that there should be uniform requirements and standards in the area of personnel training. And the functions of the ministry in this draft should boil down to their development and coordination. Since the personnel supply situation is different in the various republics, we cannot avoid their movement on the basis of mutual agreement in the next few years.

Social protection of railroad workers—this is the most important question. They submit it here, to the ministry, all the time and we think that we should not refuse to help people. The Ministry also does not have the right to retreat from the question of the selection and distribution of personnel. I realize that the republic organs will play a leading role in this matter, but one cannot appoint a railroad chief, his deputies and division chiefs without the ministry. There should be a distinctly professional approach here.

Since railroad transportation is of inter-republic importance and there are roads which serve several republics, there is a proposal that the chiefs of the railroads be appointed by the Inter-State Economic Committee on the basis of a submission from the republics which has been coordinated with the Ministry of Railways. The leaders of the roads will thereby be protected from arbitrariness and pressure. And it is being proposed that the deputy chiefs of roads and the chiefs of divisions be appointed by a republic on the basis of an agreement with the ministry.

At a selector meeting (selektorny soveshchaniye) many insistently proposed the creation of a new collective organ of administration under the current conditions. Therefore a basic addition has been made to the draft Statute on the ministry concerning such an organ as the industry Council. It can have a different name but the main thing is in the substance of the matter. The proposal is to organize this Council out of members of the ministry collegium, representatives of the republics, the chief of railroads and the leaders of other major enterprises and associations.

The industry Council should examine and define the basic questions of the industry's activity: the structures and principles of management, development and financing. A collegium should become the working organ of the Council. Along with preparing proposals for discussion in the Council, the collegium will examine

questions of the current activity of railroad transport, adopt decisions with respect to them and ensure their fulfillment. The formulation of certain other points of the draft Statute has also been made more precise.

In summing up with respect to all the comments and proposals for the draft Statute on the ministry, I realize that even its present version is not definitive and that changes and additions to it will, of course, be made. It is important that a unified position on the basic questions, which railroad workers could also defend in the future, should have been worked out.

A few words about the structure of the central apparatus and its numbers. Undoubtedly, its structure will be substantially reorganized. It should be mobile and highly professional. However, at the present stage, I think that it is impossible to talk about its final form. This will become practicable only when the functions of the ministry and the manner of their implementation have finally been given precise definition and the sources for the financing of the expenditures for the upkeep of the central apparatus have been agreed upon with the republics. For the time being there are differing interpretations.

After these questions are worked out with the republics the plan is to prepare the proposals and submit them to the industry Council and to there adopt the final decision with which we will go to the Inter-state Economic Committee.

In connection with the change in the character of the functions performed by the ministry in the area of financing, a chief place, of course, belongs to the system of rates. It needs to be changed in such a way that the level of the rates would ensure that the railroads and enterprises should not operate at a loss and would create the necessary economic conditions for their industrial and social development. For today the existing rates, unfortunately, are a long way from ensuring this. Already next year the roads, if the rates now in effect are not changed, will be unprofitable with a minus of R13 billion. The industry will not have the funds left over for the solution of social problems, not to mention capital investments.

In order to secure the railroad transport's financial independence and to create the conditions for its self-financing, the rates for cargo hauls need to be increased sixfold at a minimum. I realize that so great a rate increase can be negatively interpreted by the public of the republics. In fact it will be. We think that the approach to this question needs to be softened somehow. Therefore, in order to reduce the level of the increase there is a proposal to carry out the financing of capital investments for industrial and social development mainly through revenues from transport operations and not through net profit. In this case it is enough to raise the rates for freight traffic by three times and for inter-republic traffic—4.5 times. If the republics are

against such an increase in rates, one needs to look for ways of compensation from local budgets with their organs of power.

The proposal about financing capital investments through revenues and not net profit in fact means freeing the funds being directed to expanded reproduction and the improvement of transport service from taxation. However, it needs to be emphasized that such an approach has been adopted practically throughout the entire world.

Under the new economic conditions we consider it necessary to transfer the solution of the overwhelming majority of rate questions to the railroads and the republics. This opinion is supported by practically everyone, which is reflected in our documents. That is, the rates for intra-road transport operations should, as even now, be set by the roads for traffic within a republic and in inter-republic (neighboring) traffic—by the republics based on a submission from the roads. In this case payment for hauling goods between two neighboring republics is to be determined on the basis of the rates in effect in each republic within its territory and all earnings and revenues from traffic within a republic and in neighboring traffic will remain in the railroads.

The Ministry should be granted the right to set rates only for transit inter-republic transport operations which today constitute approximately 10-15 percent of the total volume. At the same time the level of the transit rate should be substantially higher than the intra-republic rate so that there would be an interest in this traffic. The earnings from this traffic should be concentrated in the revenue account of the ministry and distributed among the roads in proportion to the work performed.

It is proposed that the existing procedure for setting passenger rates be retained for 1992-1993. In suburban traffic—by the railroads in coordination with the local administrative organs. In long-distance traffic—by the ministry in coordination with the Inter-Republic Economic Committee. The procedure for distributing revenues from passenger traffic among the roads in effect at the present time needs to be retained for this same period. However, the necessary preparatory work for introducing a new system of long-distance passenger rates analogous to that in effect in international traffic should be carried out by that time.

Thus, the retention for the center of only minimal functions related to settlements for inter-republic traffic is envisaged. At the same time, we are ready on behalf of the republics to handle the distribution of revenues from intra-republic traffic for the transition period, bearing in mind that the republics have no such distribution mechanism.

Proposals have come in from a number of roads (the October, East Siberian, Kuybyshev, and Gorkiy) about granting them the right to set rates independently. We think that formulation of the question is correct in

principle. However, considering the situation which is really developing, it is advisable that the republics monitor the level of rates providing they are properly indexed, which should be carried out every quarter on the basis of a unified procedure.

At the same time we share and support the proposals of the Moscow, Gorkiy, North Caucasus, Transcaucasian and a number of other roads concerning the transfer to them of the right to independently set prices and rates for various services and operations related to transport operations. According to the Charter of the railroads these rights are now granted to the Ministry.

About foreign exchange receipts. We insist on the introduction of payment for export transfers in foreign exchange. True, they don't back us up but we think that the requirement is a valid one since transportation costs are always reflected in the price of a product. And if they receive foreign exchange for a product, this means that transportation costs also should be reimbursed in foreign exchange. One needs to fight for this since our foreign exchange earnings from transit are utterly insufficient. According to this year's results the foreign exchange fund for the system will amount to approximately \$16 million and claims from the railroads to \$500 million.

Therefore there is a proposal to retain the existing procedure for payment through the "Soyuzheldorraschet" center of current foreign exchange expenditures which are of a system-wide character and should be applied to all railroads and not just the border ones. The foreign exchange that is left is to be distributed among the roads in proportion to the volume of transport operations in international traffic, taking starting and terminating operations into account.

A centralized foreign exchange fund for the acquisition of spare parts for imported rolling stock, automation equipment, medical equipment and other system-wide needs is being created in the ministry on a basis agreed upon with the railroads. However, all this is to be done only with the consent of the chiefs of the roads. If a statute on the formation of an industry Council is adopted, then everything, apparently, will pass through it.

The interrelations of the railroads with the republic budgets should be set up in a new way. All settlements will be carried out according to republic laws and in the localities and not through the ministry as it was up till now. At the same time both the ministry and the railroads need to put in some good work with the republics on the question of granting transportation tax abatements which would stimulate an increase in the quality of our work and would create additional financial sources for the development of the industry.

Many railroads propose completely entrusting the financing of the bulk of capital investments in railroad transport, including the construction of second lines, electrification, the acquisition of rolling stock, etc., to the republics. The collegium discussed this question and thinks that it is not quite right. Yes, the republics should

participate in the financing of the industrial and social development of railroad transport. However, the main principle should be: to whom it is profitable, let that one also give the funds for the improvement of transport service.

Such a principle should be observed when deciding questions of the financing of unprofitable lines, sections and sidings, of reimbursing losses from passenger traffic and of compensating the losses of the railroads when introducing any privileges with respect to the payment of cargo shipments and the journey of passengers.

The proposals of the ministry about changing the procedure for the financing of capital investment have not given rise to objections from the railroads. The position about the acquisition of locomotives, passenger cars, and other equipment through the funds of the railroads also has been supported. In conformity with the requests of the roads, the ministry will conclude contracts with supplier plants and pay for the rolling stock and other equipment being delivered. Such a procedure permits the preservation of unified approaches in questions of the modernization of rolling stock, its utilization and rational distribution in the system.

In our proposals regarding the financing of production construction, we have proceeded from the fact that the sources can be both the internal funds of the railroads and financial resources being brought in. Everything depends on what the project is intended for. Therefore it has been proposed that the construction of new lines, certain passenger system projects, and overpasses as well as all capital investments in metros be carried out through republic and local budgets, as well as those of interested enterprises and organizations.

At the same time the construction of second lines, electrification, and other measures which permit improvement of the transportation servicing of the regions can be financed through the funds of the railroads and the attraction of additional sources.

Centralized resources for the comprehensive development of the industry are inevitable and they should be. However, the opinion of the roads on this score is important. With respect to the expenditure of centralized resources the ministry should be accountable to the railroads or to the industry Council.

Based on the system-wide character of the utilization of freight cars and containers, we propose that, for the transition period, the existing procedure for financing depot and plant types of repair be retained, with distribution of these expenditures in proportion to the total number of cars situated in each railroad.

Concerning the social sphere. We think that the public health, public education, culture and sport organizations and institutions of railroad transport should remain as part of the industry. There are two diametrically opposed points of view regarding their financing. A

number of roads think that this needs to be done through the funds of the republic budgets and others—through the funds of the railroads.

In particular, the South Urals, Belorussian, and Transcaucasian railroads have proposed covering expenditures for the maintenance and development of public health and public education institutions through the revenues from transport operations. In our opinion, this cannot be done. First, because an increase in the rates from the initially proposed level of another 20 percent approximately will have to be achieved. Secondly, the maintenance of these institutions and even the payment of wages to doctors and teachers and the expenditures for feeding children in schools and kindergartens will depend on the transport operations situation. If they decline there won't be any funds. One can't agree to this.

There is a proposal about financing the indicated organizations and institutions through republic budgetary appropriations. Then there will be the grounds for requiring from the local organs that there not be the discrimination that is occurring everywhere today. However, the roads also should not be turned aside. The main thing is that what has been created by the hands of the railroad workers should not then be pilfered.

The measures envisaged in the new statute concerning the organization of the industry's finances should help transportation to adapt itself to the extremely complex situation developing in 1992. The fact is that, according to objective estimates, a further decrease in the volumes of the production of the majority of the types of products will persist, including in industry, in agriculture, and in import purchases. The fact is that, according to a prediction of the Ministry of Economics and Forecasting, this reduction will come to approximately 15 percent of this year's level. Given such a decline in operations the problem of the industry's survival confronts us anew. Cargo shipments may fall by up to 3,370 million tons and passenger traffic by up to 361 billion. This is the 1979 level of transport operations.

Naturally, this may be reflected in the numbers of the operating staff. According to the estimates, 116,000 fewer people than now are enough for the volume of transport operations being forecast. Under conditions of impending unemployment we think that one cannot simply lay off workers. We see our task in using this potential for a further increase of revenues through expanding existing and organizing new subsidiary and auxiliary enterprises. Using this year as an example we have satisfied ourselves of their effectiveness since profit has increased 3.5 times. We have a possibility to at least double the financial results in subsidiary and auxiliary operations next year. However, the main thing is that we protect our workers socially.

Another serious problem is the rational utilization of technical equipment, primarily the rolling stock. We already know what its total number is now. We think it is a mistake to renounce, let's say, deliveries of new

rolling stock. Besides, according to data from the USSR Ministry of Economics and Forecasting, deliveries of rolling stock will decrease by 20 percent next year. Therefore we need to manage what we have thriftily.

We have also examined the comments of the trade union central committee. We think that they all can be accepted.

The proposals of the railroads for the draft Statute under consideration have been taken into account in the final version of these documents and have been the basis of the report which we, jointly with the Ministry of Finance and the Ministry of Economics and Forecasting, have sent to the Committee for the Operational Management of the National Economy.

Considering that the republics and the railroads have supported the drafts of both statutes, I move that these documents be taken as a starting point.

Of course, one would like the present collegium to be the concluding stage in the elaboration of our opinions and the working out of a unified position and, relying on your support, to conclude the revision of the statutes on the ministry and on the organization of railroad transport finances with the republic governments and to submit them in final form to the State Council. We need to combine efforts and endeavor to preserve the unity of the system under the conditions which you will state.

(The report at an expanded collegium is being published in summary form.)

### Rail Performance Scored

924A0311A Moscow GUDOK in Russian 7 Dec 91 p 1

[Article based on material from the Ministry of Railways Statistics Administration: "Shipments Are Decreasing: The Branch's Work Results During the Last 11 Months"]

[Text] Although industrial and agricultural enterprises are not fulfilling their contract obligations for the mutual delivery of products, the railroads were able to realize their overall freight dispatch target for the 11 months by 101.2 percent. More than 40 million tons were transported above the plan.

At the same time, there was an undershipment of 6.4 million tons of coal, almost 6 million tons of chemical and mineral fertilizer, 1.3 million tons of ferrous metal, 1.6 million tons of petroleum and petroleum products, 840,000 tons each of lumber goods and cement, etc. In comparison with the corresponding period of last year, the total volume of shipments decreased by 8.4 percent.

Of the 42 local planning goods, the quota was fulfilled for only 18. The transshipment plan was realized by 118.9 percent and that for imported goods by 100.6.

Twenty-seven railroads coped with the target for the first 11 months. The Belorussian, Baltic, Moscow, Lvov,

Southeastern, Krasnoyarsk, October, Gorkiy, Southwestern, Southern, Donetsk, and Far Eastern provided the largest above-plan shipments. The Transcaucasian, Kemerovo, South Urals, Tselina, and Baykal-Amur remained debtors.

The main indicators for November were also noticeably worse than they were a year ago.

Based on the results of the first 11 months, freight turnover reached 3.1019 trillion tariff ton-kilometers. This was 138.6 billion less than the plan and 317.7 billion lower than last year's level. In this regard, the average shipping distance was reduced by seven kilometers. The estimated target for passenger traffic was underfulfilled by 20.2 billion passenger-kilometers and was 348.4 billion passenger-kilometers. This is also lower than last year's level. The use of rolling stock was also worse: Railcar turnover decreased by 0.13 days as opposed to the plan and a freight train's average weight was reduced by 30 tons.

The labor productivity of workers employed in shipping decreased by 3.1 percent as opposed to the plan and by 10.1 percent in comparison with last year's January-November period. On the whole, the balance profit for the branch is 6.4 billion rubles. This is 25 percent lower than last year's level.

#### Freight Handling Performance Reviewed

924A0238B Moscow GUDOK in Russian  
16 Nov 91 pp 1-2

[Report by V. Vasilyev based on materials from the Export-Import Freight Shipping Department of the Ministry of Railways: "Freight Handling on Both Sides of the Border"]

[Text] For the railroad employees involved, this subject was almost painful to mention not long ago. But the picture is different today. Indeed, the lack of a balanced economy is enriching some and bringing others really close to poverty, while others are relieved to a certain extent. Let us not make assumptions. Each one of us is affected by this in his own way.

The catchphrase "the West will help us" evidently is losing its timeliness nowadays. Judging by the sharp decline in shipments arriving from European countries, as well as our deliveries there. The port and station of Reni on the Moldavian Railroad are the gates through which shipments are sent to and received from Romania. The principal export item is ore. In past years the loaded rolling stock created traffic jams almost every day here. Today it is quiet. No ore is being shipped to the neighboring country. We might as well close the "gates" until better times.

The flow of freight to and from Germany through the Baltic ports, and hence by rail, has also dropped sharply. Even the transit shipments which pass through the port of Tallin and across our territory to Iran (mainly grain)

have been reduced to a minimum. The reason is that the Azerbaijan and Transcaucasian railroads are almost continuously blocked, as a result of which work at the border station of Dzhulfa is at a standstill. In order to avoid traffic congestion, the Ministry of Railways has been forced to appeal to foreign governments to reduce shipments of freight to Iran or to discontinue them altogether. This step does not benefit either the consignee or the shippers (the Ministry of Railways), since the foreign currency income we receive from transit shipments on our railroads is quite substantial.

Perhaps only the stations at the borders with Hungary and Czechoslovakia are operating intensively today. Imported grain is coming to us from Hungary within the range of 400 railcars per day. In order to increase the volume of shipments and reduce the workload of our Hungarian colleagues, our railroad workers are sending 500 to 600 grain cars to that side of the border every day and have been utilizing wheel pairs adaptable to narrow gauge.

The norm for shipping freight to Czechoslovakia is up to 500 cars per day. Efficient operation by Lvov Railroad employees is ensuring timely dispatch and receipt of the volume assigned without permitting rolling stock to accumulate.

The old saying that trade must be handled competently is really true in our time. After receiving authorization to conclude transactions independently with foreign firms, our enterprises rushed after the "easy" output all at once. The main thing is to load and ship, and what takes place there is not our concern, they say. Freight was coming to border stations without licenses, with documents incorrectly made out, without the payment of customs duties, and so forth. There were layovers and traffic jams at border crossings. Thank God our shippers have learned something over the years. An example of this is that customs duties are paid right at the loading points. Let us say that ore is shipped from the Kursk magnetic anomaly to Czechoslovakia. The monetary calculations are performed on the spot, the documents are stamped, and the cars depart. Customs at the border does not hold up the traffic.

But the consignee has become fussier, too. More precisely, he has been that way. Only before it did not bother us. But these are different times. So the Czechoslovak railroad workers require our workers to ship the ore only by grades. They accept pellets and iron ore concentrates strictly in accordance with the contracted standard. But this is difficult to maintain, especially for railroad workers. Complaints should be addressed to the shipper. It depends on him how honestly the commitments are met. But our shippers have never been disciplined, to put it mildly. They either ship nothing or suddenly ship output all at once. You look and see the border jammed. Even now 50 railcars with brown coal are standing idle on the Lvov Railroad, and there are just

as many on the approach to the Krasnoyarsk Railroad. But the Czech consignees can accommodate only 20 railcars per day.

Claims have also been made against our transport workers, particularly railcar workers, by our foreign colleagues. Czechoslovak railroad workers find a great deal of fault with provisions for traffic safety. Specific information should be on all the railcars: the date that assemblies and parts were tested, the repair date, and so forth. Let us say frankly: this information is not always available on our rolling stock. And the other side simply does not take these cars. We have to bring them back with their loads. And there are up to 1,200 of them each quarter. All this disrupts the pace of operations.

Employees of the Transbaykal and Far Eastern railroad border stations probably have the worst problems. Nearly 2,500 railcars for China are standing idle on the Transbaykal Railroad today. They are carrying fertilizer, lumber, and motor vehicles. The station of Zabaykalsk is uncategorized. It can make up and dispatch up to six consists per day to China, but it is handling two or three. The reason is that China is not accepting them. As soon as the number of railcars on that side of the border reaches 1,000, they are stopped. They do not have enough capacities.

"The amount of rolling stock coming to Zabaykalsk has not declined for a long time. Can't we really regulate the shipments to this region?" I ask A. Kraynova, an engineer in the Export-Import Freight Shipping Department of the Ministry of Railways.

It turns out that it is rather complicated to do this. Most of the freight sent to China is fertilizer. It is not produced in Chita Oblast, but they buy it for themselves in other regions of the country and then barter it with the Chinese. Under such conditions, the railroads cannot regulate the shipments, since they are not carrying output for export. They have tried in the ministry to prohibit such shipments, but the Chita Oblast Ispolkom and the Russian Government intervened here, and so the oblast is being kept on starvation rations (food and essential commodities are coming to the Transbaykal region from China).

Up to 1,000 loaded cars are idle at the Far Eastern border station of Grodekovo (for the same reason). The Khasan station, through which shipments are sent to Korea, has not been operating smoothly all year.

The port of Vanino. If export shipments pass through here without delays, by direct route (railcar to ship), there is a problem with transshipment to Sakhalin. And primarily because of the shortage of ferries. Only two to four of the nine ferries are being operated. The rest are either under repair or the maritime department is using them for foreign cruises. And nearly 2,500 railcars with manufactured products and food for Sakhalin are standing idle at the port each day at this time.

The transshipment situation is no better in Vladivostok, either. Goods are sent from here to Magadan and Kamchatka. It is not enough that there are not enough ships or they come in irregularly; the port itself is doing a very poor job of unloading the rolling stock. Only one of the three available cranes is in operation, as a rule. Moreover, they have started turning off the electricity because of the energy crisis... So about 600 railcars are waiting to be unloaded here.

Nakhodka is the gate for exports in the Far East. Nearly 140,000 tons of steel and 80,000 tons of cast iron are being held in its warehouses and there are about 900 railcars of this material waiting to be unloaded. Everything is going abroad. There have been no ships for a week, and we don't know when there will be any.

The cause of the freight accumulation at ports is well known. There is chaos in the conclusion of transactions between enterprises and foreign firms and the situation is just as chaotic in shipping consignments. Just get the freight to the terminal station, but it is not our concern when it gets there, they say.

But how do we cure the illness? It is apparent that we cannot manage without a doctor—a single organization to handle trade with other countries. This will enable us to monitor the movement of ships to ports and the movement of rail freight to the ports. To have the railroads that ship and receive freight take part in planning the transportation of exports and imports. And finally, the facilities associated with transportation have begun to be reorganized. The ports and shipping companies have acquired economic independence. They cannot be pressured from the top now. Other methods of working with clients are required, particularly economic methods—and rail transport does not have enough of them.

### Capital Investment Problems Aired

924A0285A Moscow GUDOK in Russian 28 Nov 91 p 2

[Article by K. Salatov, chief of the Economic Main Administration: "Two Extremely Important Problems"]

[Text] I should like to dwell on two problems which we have now run up against in working on the prediction for 1992. They pertain to capital investments.

The first is—where to get the appropriations. Unless our proposals are adopted, in 1992, which is almost upon us, there will be no possibility of financing much of the work, including capital construction, since there is no Union budget.

The second extremely serious problem is providing construction projects and objects with the quotas of material-technical resources. Under the conditions of the new economic relations, the very system of providing quotas has become considerably more complicated. The procedure formerly existing for centralized allotment of resources at the Union level has been eliminated. Each

republic itself establishes the scheme for ensuring capital construction. In so doing, as has already been shown by the experience of working with the economic bodies of the Ukraine and Russia, they are refusing to contact each railroad and enterprise directly.

Let us recall how we met the directors of the railroads in the Ukrainian Ministry of Economics. No one except us even wanted to talk to them on this subject. Indeed, even we could find a common language only after several out of town sessions, of course, including the railroads.

For the transitional period—a year, perhaps two—it is not worthwhile for us to give up the existing system of centralized work on predictions. For now, this problem is solved only for construction work located on the territory of the Ukraine, where the republic has taken the material-technical supply of all capital construction on itself, including that for railroad transport and the subway. Here, I think, we and the railroads worked well together and we must obviously also work this way in the future.

With respect to the Russian Federation, this sort of work is now being done, although, under the conditions of the formation of new economic management structures, it is extremely complicated and differs from the scheme adopted in the Ukraine. Two variants are being introduced in parallel—centralized and non-centralized resource provision. With respect to the centrally distributed resources, which are directed only toward the most important construction projects and facilities for production purposes, and are implemented through the internal funds of the enterprise and the RSFSR Ministry of Economics, the MPS and Union Ministry of Economics were instructed to consider this problem, but there is nothing so far from this ministry.

Objects for nonproduction purposes will be provided with material resources directly at the sites by the territorial organs.

There is, of course, some sort of experience, but this approach is for the time being still an unaccustomed one for us. According to the results of the examination, volumes of resources were determined which exceed by 1.5-fold the level of this year at comparable prices. As for the most important construction projects located on Russian territory, which were not financed through the budgetary fund for stabilization of the economy, the financial and material resources will be determined directly by the Ministry of Economics of the Russian Federation. We have made a preliminary determination of these expenditures with them, amounting to 839 million rubles.

We are now doing similar work with Kazakhstan. Here, however, the study is being delayed until the signing of inter-republic agreements with other republics, since Kazakhstan so far cannot itself determine the level of the quota provision of resources for all the construction projects located on the territory of this republic.

In addition, we feel that: to ensure the comprehensive nature of the development of the network, a centralized fund must still be set up on the basis of the withholding of some resources by the railroads. This is a very important problem, which gives rise to keen discussion and different opinions.

Until the year before last, there was no problem at all in this sphere. State centralized capital investments were assigned, the list was determined, all this was fixed, and everything would be done, and despite this rigid system, we succeeded, from 1981 to 1990, in reducing the extent of the bottlenecks on the road network from 61,000 kilometers to 40,000.

To be fair, of course, it must be said that this global centralization bound the railroads hand and foot in solving certain problems. Now, however, with the intensification of the tendency toward separation and isolation, it is particularly important to preserve at least the main threads in order to achieve unity and completeness in developing the railroads as a system. This can be done, however, only on condition that the most important work, of a general network nature, is done in centralized fashion.

Otherwise, how can the measures that are specified by the comprehensive systems, and which we are preparing to examine together with the railroads, be carried out with purposeful direction? I think that we should solve these problems together. It is doubtful that each can solve them independently.

This year, this fund will be R420 million. Its resources were directed toward financing the transitional building projects, closest to being finished, of general-network importance and financed through budgetary allocations. Here, rebuilding all the switch plants is also a priority.

Work has also been done which holds back purposeful directivity. Take, for example, electrification of the railroad from Khabarovsk to Peking, and the major stations on this route. In short, there are projects which in principle not a single railroad can cope with independently. We feel, however, since we are already on the threshold of 1992, that most of these construction projects will find themselves in a state of suspension. Will their financing be continued or will they be abandoned? Additional money will still be needed to "mothball" them, though. Does this make sense? Can an assiduous master really behave this way?

We are ready to submit a report for each construction project, and we will determine whether they are necessary or not. Take, for example, the problem of man-made structures: the bridge across the Amur is in terrible condition. On the basis of the shares participation of the republics, local organs of authority and the railroad workers themselves, we can solve this major problem together. If this is not done, one road alone cannot cope with it. We would ask that all the mainlines support us in this problem. We are ready to determine, in conjunction



with them, the list of these construction projects, but in such a way that it would be a joint solution for each of them.

### Sovereignty Issues Examined

924A0285B Moscow GUDOK in Russian 28 Nov 91 p 2

[Article by F. Kotlyarenko, chief of the North Caucasus Railroad: "The Railroads and National Sovereignty"]

[Text] To the many problems existing on other railroads, on our North Caucasus Railroad other difficulties have been added, related to ethnic feuds, which are leading to the disruption of train traffic. People are going out onto the rails, breaking up the track and stopping train traffic. This is the result of the disintegration of the Union, and now the Russian Federation as well. If things go on this way, then we in the North Caucasus will soon have 10-12 sovereign states, equal to Russia with respect to jurisdiction. Just try, under these conditions, to ensure the normal work of the railroads.

Today, I think that the main problem is preserving unity in the work of the network and the MPS [Ministry of Railways], its central organ. How, under the conditions of the new Union system and the new Federation, are we to run this business? The appeals to form a unified economic area, and the striving to preserve the Union are clear to everyone. The Union was not created in a single year, however, and it was not created only in the years of the Soviet regime, it was created over centuries, and during this period, economic relations have been forming.

Who would ever have thought that the Azovstal plant, built in the Ukraine, would no longer be our common plant, but only Ukrainian, and that great complications would arise from this, or think of what importance lay in the fact that some Union enterprises were located, not on Russian territory, but within the limits of other republics?

Right now the government of Russia and its corps of deputies are following a persistent policy of creating a unified economic area through unconditionally appointing the Ministry of Railways as the center for railroad transport management. B. N. Yeltsin, at a meeting with our comrades said: "We will support the unity of the railroads and will support in every way the unity of their management. We must come to an agreement with other republics on the MPS being the only center."

I think that, given all the sovereignties of the republics, the railroad chiefs should prove, in every way they know how, the need to retain the unity of the railroads, or else there will be total failure. We must step across the boundary of pride and nationalism, remembering that only with a unified railroad network will we all be able to live, and right now, the way things are, we are no longer living.

I would like to express my point of view on setting up a department of railroads in the republics. The railroads, of course, pass through the territories of the republics, and they should have a department, but what functions should it have?

The properties and rights should be delineated. We should solve, through the departments, the problems of development and financing, within the borders of the republic, of material-technical support, problems of ecology and others. The later the sovereign republics delegate rights to the MPS, however, the greater the losses we will suffer.

Therefore, I earnestly beg the railroad chiefs to pursue this line persistently, and in no case to set out to create any separate structures. After all, you start dividing and then you get to Chechen-Ingushetiya, Cherkessiya, etc. This process is irreversible. And right now, there is no one to run to, we have been left face-to-face.

I think that the railroad property must somehow be consolidated. It is written into the plan that this is the property of the republics or states, and we are delegated the right to use these facilities, this property. We must once again weigh everything and come to the agreement that yes, the railroads are the property of those republics on the territory of which they are located, but after all, they were not created by these republics. They were created by the Union, and financed by it.

As for the functions of the MPS itself, this matter must now be given great attention. We feel that greater rights should be granted the railroads with respect to financing. After all, we are not succeeding in coming to an agreement in the state organs on tariff problems, given the unrestrained, uncontrolled rise in prices. We should obviously assert the right to indexing railroad tariffs, for both freight and passenger transport, and grant IZVESTIYA or GUDOK the right to publish this. Right now, with respect to the North Caucasus Railroad, we cannot complete the year. We owe R110-130 million. We are simply bankrupt. Therefore, we must be granted the right to raise tariffs and immediately solve the problem through loans. Otherwise, we will not complete the year.

The next problem is that of material-technical supply: the supply of rolling stock and spare parts. We have, after all, several tens of thousands of such items. I think that under the conditions, when a Union is formed, we must ask the Interstate Economic Committee to prepare a document on material-technical supply for the railroads, with the republics agreeing to supply materials for next year. Otherwise we will shut down, since we cannot ensure the repair of rolling stock.

If we wish to live in a unified economic area, which 11 or 12 republics are already talking about, then this document should come into being during—at the very latest—the first ten-day period of December. Otherwise



none of the agreements with enterprises will be in effect, and after all, everything is now gradually being reduced to barter.

### **Kazakh Transport Minister on Railway Structure**

924A0292A Moscow GUDOK in Russian 22 Nov 91 p 2

[Interview with Nigmatzhan Kabatayevich Isingarín, Kazakh SSR minister of transport, by Viktor Verk; date and place not given: "The Network's Control Panel Should Be In One Hand"]

[Text] Alma-Ata—Even yesterday, the railroads were a guarantor of the country's economic integrity. What will happen now when the steel mainlines transfer to the jurisdiction and property of the republics? Will we be able to save the single transport system from disintegration, thereby avoiding a paralysis of intra-union economic ties? N. K. Isingarín, Kazakh SSR minister of transport answers these and other questions for our newspaper.

[Isingarín] First of all, I want to emphasize that, having "taken possession" of Kazakhstan's railroads as republic property, we do not want by any means to disrupt the technological unity of the entire rail transport system. For example, our Petropavlovsk Division is part of the South Urals Railroad. If we take possession of it, we will drive a wedge into the Trans-Siberian mainline by creating two rail junctions that no one needs. It is simpler for the Urals people to keep this division for certain economic and social conditions.

On other sections, we are also not planning to change the technologically sound borders of the railroads, especially—train districts, locomotive and crew circulation areas, plans for the make-up and network direction of the railcar flow, and other components of rail transport's unified work rhythm.

We are not forgetting that, in a transportation respect, Kazakhstan is an exploiting republic. We do not have our own production facilities for railcars, locomotives, switches, automation and communications equipment, and much more; our repair base is extremely weak. Only two of the 88 Ministry of Railways repair plants are located on our territory. However, the Ministry of Railways disposes in a monopoly manner of everything that the country's railroads earn. This money (including hard currency) is redistributed from Moscow based on calculated prices. In order to understand the essence of this "redistribution," let us turn to the figures. During the first half of the year, the Baltic Railroad received 18 standard kopeks per unit of work performed; the Belorussian—10; the Transcaucasian—31; and BAM [Baykal-Amur Mainline]—20. At the same time, the West Kazakhstan received 6.4; the Tselina—6.3; and the Alma-Ata—8.2. Can it be that our railroads are less loaded? Not at all. BAM carried out a work volume of 19 billion ton-kilometers and received 394 million rubles. Our West Kazakhstan Railroad coped with a threefold greater volume—57 billion—and received 370 million for this. For goodness' sake, if BAM is unprofitable (it

has already cost the Ministry of Railways about 500 million at the very least), let those, who make use of it and who need it, pay for it!

[Verk] Nigmatzhan Kabatayevich, nevertheless, even Kazakhstan's railroads will probably be unprofitable with the present galloping prices. There are two ways to keep them "afloat"—increase tariffs for shipments or state subsidies. In your opinion, which is preferable?

[Isingarín] Generally speaking, this will depend on the policy that the state wishes to follow. It seems better to me, however, to find a golden mean: Tariffs that are too high will hit production; lowered ones will lead to chaos in freight shipments. As a matter of fact, this is already occurring because, first, our tariffs are low, and, second, the state is paying for them—more accurately, state enterprises. The railroad workers, who live on the "gross," and enterprises, who "twist" shipping costs into prices, are interested in this. Only rapid privatization can break the vicious circle. You see, it is not profitable for a private or leased enterprise to pay tariffs using its own "blood." They will think: Cart, for example, crushed stone miles and miles away or find a quarry closer.

[Verk] How do you see the Ministry of Railways under these conditions?

[Isingarín] The Ministry of Railways is necessary but not in the form in which it now exists. Our branch cannot operate normally without a coordinated scientific and technical policy, common safety rules, a unified normative base, a unified system for centrally managing the transport process and regulating the railcar pool, and much more. Finally, a common tariff approach is needed. However, why should the Ministry of Railways distribute and control all economic, social, financial, and other types of activity?

[Verk] What should the functions of the republic ministry consist of? Will it not become a monopolist like the present Ministry of Railways—only on a smaller scale?

[Isingarín] Our ministry should follow a state policy in transport, that is, the policy of a sovereign Kazakhstan. For example, if our railroads are profitable, let the government increase tariffs or provide a subsidy. If the repair base is weak, it is necessary to establish it. There is no need for Kazakhstan to have its own locomotive building plant but it is also stupid to deliver a cheap gland from far away. Today, we are compelled to direct our railroads' economic activity so that they fulfill their duties to the republic. We are trying not to interfere in their daily "routine business;" however, there are situations when this cannot be avoided, for example, shipping grain or coal from one of the republic's regions to another or to a neighboring republic in accordance with contracts.

In the future, if we see that all three of our railroads are successfully operating in the republic under the leadership of a renewed Ministry of Railways without our

administrative pressure, the ministry will only occupy itself with a state transport policy, that is, prepare legislative acts, regulate tariffs, coordinate social programs, etc.

Incidentally, the republic's ministry of transport was conceived as a purely market structure. In everything up to and including the regular schedule, we proceed from expediency considerations. For example, 10-12 specialists will work in the department of railroads now being formed. If one considers that 350-400 people are in each of the three administrations of our railroads, this will appear fully optimal.

[Verk] Transport facilities are now gradually ceasing to be the monopoly property of the state. Alternative airlines and motor transport agencies are being established. What are the railroads' prospects?

[Isingarin] I must say that rail transport will be the state's for the foreseeable future, although certain steps can be taken. For example, an association, a private firm or individual citizens want to establish a joint-stock company and purchase a dead-end spur line or siding. Certainly, it is possible to examine this question. Concerning mainlines, one cannot divide them up and sell them by pieces.

On the other hand, rail facilities are, you see, not only rails, locomotives and railcars. Why shouldn't railroad stations be leased and loading and unloading or forwarding services be transferred to private hands? Serious enterprising people, who wish to engage in this, will be found—certainly. Obtain a license, pay the taxes, observe safety regulations, and operate.

The problem is a different one. We want to build a trans-Asiatic mainline. Its benefits are evident. It would be the shortest route to China, Turkey, and the countries of Southeast Asia. However, it will cost a lot. Today, we are running into the fact that we do not have an economic mechanism that would permit such money to be earned. The tariff policy is constructed so that the railroads will hardly have enough or will even be short of it for current production activity. Here is an example.

The Druzhba rail crossing on the border with China is already operating today. There are more than enough people wishing to pass freight through it. Assets are needed to expand its carrying capacities. Where to get them? Can one introduce a second tariff which could be used for this purpose? Or establish commercial conditions for cross-border transport? Of course, one can also attract foreign partners. We have quite a few of these suggestions; however, the inability to think commercially is interfering very much. A paradoxical situation is taking shape: We in the republic do not know the economic capabilities of our railroads and their real price. My opinion is that the economics of rail transport as a science exist among us today only at the branch

level. There is practically no real research whose objective is a transport enterprise, a railroad, and the economic activities under which their activity is most profitable.

[Verk] Where do you see the way out?

[Isingarin] Everyone must learn to think in economic categories. I do not have in mind the concept of a "black market," no—something civilized that should be expressed in the required appreciation of invested labor, in an economical and thrifty attitude toward resources, in an understanding of the movement of all financial assets, and in responsibility at all levels for the economics of entrusted production sectors. An entire system for training and for improving the level of economic knowledge is required.

Certainly, it is necessary to establish an institute for integrated transport research in the republic. This should not be the traditional scientific research institute where it is possible to obtain a guaranteed salary, sorting out potatoes at a vegetable base. Let the scientists carry out specific orders from the railroad workers and live on them. Then, the results will be much more effective.

[Verk] It is no secret that a slump in production is occurring now in Kazakhstan just as throughout the former Union's territory. However, since the conclusion of the inter-republic economic agreement, we are all hoping for the economy's revival. Will not the present condition of rail facilities be a brake on this process?

[Isingarin] This danger is quite real. When shipping volumes are decreasing, our branch's troubles are not too noticeable. However, as soon as the economy begins to rise, it will be very difficult for us. This year, we are repairing only half of all the track in the republic: There are no ties, fasteners and much more.

The biggest problem is the absence of passenger cars. People have not begun to travel less but we have been forced to write off 30-35 percent of passenger cars. There is nothing with which to acquire new ones in the former GDR.

[Verk] It is clear that it is hard for Kazakhstan or the Ukraine to solve these and other urgent tasks alone. That is why it is important to preserve a single transport system for all the 15 republics of the former Union....

[Isingarin] Associating with my colleagues from other republics, I have come to the conclusion that everyone realizes this today. The management structure is another matter. Our position is as follows: For those republics (or states) that have entered into the economic association, a rather strict centralized structure is required to which we will all be subordinate having transferred to it a portion of our functions but, in any case, not the right to own the railroads or to direct them in a monopoly fashion. There cannot be any return to the former Minister of Railways. Those, who remain beyond the limits of the Economic

Union, will cooperate with this agency based on the rights of an associate member.

In my opinion, a transport commission or department should be formed under the Inter-republic Economic Committee. The transport workers of Russia and the Ukraine prefer the idea of a meeting of transport ministers and a working agency under it. No matter what, I am convinced that discussions concerning a common economic space are groundless without a single and well regulated transport system.

**Russian Transport Minister on Railway Structure**  
924A0259A Moscow GUDOK in Russian 20 Nov 91 p 2

[Interview with Vitaliy Borisovich Yefimov, Russia's minister of transport, by L. Kizilova; date and place not given: "Changes Are Necessary"]

[Text] Moscow—Recently, articles on the branch's fate under the changed economic, social and political situation have been published often on GUDOK's pages. To date, quite a few disagreements remain in the positions of the Ministry of Railways and Russia's Ministry of Transport. In the editors' opinion, it would be interesting to acquaint the readers with the different views on these problems.

[Kizilova] Vitaliy Borisovich, how do you picture the work of rail transport with the assertion of sovereignty by the republics and the possible formation of a common economic space? Will the Ministry of Railways be kept during this and what changes will occur in its activity?

[Yefimov] We regard rail transport as a very complicated technological organism requiring a special approach. Four meetings of the transport ministers of the sovereign republics have already been held. The fate of the Ministry of Railways was at stake during them. They arrived at the opinion that the Ministry of Railways should function until there is a radical reorganization of the branch. This, however, does not mean that the Ministry of Railways will be the monopoly structure that it was before. Changes are necessary since sovereign republics have appeared. The acute social and political situation and new economic relations also require this.

The process for managing railroads on the Union's territory has been perfected in principle and I think it is advisable to preserve it in the single existing system. However, only economic activity and not state activity is meant.

We think that the best Ministry of Railways structural version is an executive board of directors that all republics would finance, that is, this should be not a state monopoly agency but a purely economic one.

The Ministry of Railways is still opposed to this approach. Perhaps, Russia's Ministry of Transport is also still not quite ready for this. Probably, the Ministry of Railways will exist as the rail transport agency of the

sovereign republics but with changed tasks and functions until the reorganization is carried out.

We think that the Ministry of Railways will not be able to manage using old methods under the new conditions. An agreement between the sovereign republics on the functioning of all transport systems is required. Its economic responsibility to the republics, freight owners and passengers should be stipulated in this agreement.

[Kizilova] Can you name the time frame for carrying out the proposed reorganization?

[Yefimov] This reorganization is already taking place. The Baltic republics have already asserted the independence of transport systems. The Ukraine is establishing its own systems—this does not mean that it is separate from the Ministry of Railways but their own structures are already appearing there....

Russia's Ministry of Transport exists. Whether we want this or not, this structure has appeared. Moreover, we are still forming a Russian department of rail transport.

The establishment of an executive board of directors will in this stage be the last phase of the reorganization and of the complete division of state and economic functions. This will evidently occur next year. And then—privatization....

[Kizilova] How will the division of property and fixed capital be carried out between the republics? What are the criteria for the division? The Baltics, for example, take the position that everything on their territory belongs to them. But what about, for example, freight rolling stock?

[Yefimov] It is difficult to find an ideal method for dividing the property. It is simpler to expropriate it—one has issued a ukase and taken it away.... We have searched for an acceptable form for a long time. For example, we examined the following alternatives: one based on the republics' contribution to the Union budget and a composite approach that considers both population and the contribution to the budget. The presidents decided in favor of the following principle: Everything located on a republic's territory belongs to it.

There are installations which are jointly used—one must conclude a special agreement between the republics regarding them. However, I do not see any of these systems on the railroad.

[Kizilova] We are losing the branch's plants located on the territory of other republics. Will new plants be built in Russia for the production of rolling stock—electric trains and passenger cars for long-distance trains? Who will pay for the delivery of railcars from abroad? Will the contracts concluded with Germany be kept? How will the problem of spare parts deliveries for Czech locomotives be resolved?

[Yefimov] Well, in the first place, we are not losing anything. It is another matter that we must now conclude

delivery contracts considering the new conditions. Perhaps, it will be necessary to conclude some agreements at an inter-governmental level. Of course, this is somewhat unusual for us—the appropriate trade structures still do not exist.

Now, concerning construction. We are indeed not supplying ourselves with rolling stock and are continuously experiencing a shortage of it. You know that negotiations are taking place with FRG firms on reconstructing the Tverskiy Railcar Building Plant. That is why I do not think that we are losing anything.

[Kizilova] Nevertheless, as a sovereign state, Russia must have its own railcar building base. Today, the only plant for producing electric trains (RVZ) is in Latvia. As far as I know, the suggested price, according to which they intend to sell us electric trains consisting of 10 cars, is 28 million rubles. Russia's railroad workers will probably not be able to purchase such expensive railcars....

[Yefimov] Of course, if there is a wild market and excessive prices, this will push us to building our own rolling stock production capacities. However, I hope that this will come down to a system and that we will shift to world prices with these states. If they, let us assume, raise the price for railcars twofold-threefold, we will raise the price for oil correspondingly. There are still no agreements between the republics; we are now working on these questions.

[Kizilova] Nevertheless, will a policy oriented toward purchasing railcars be kept or will we build our own?

[Yefimov] Integration exists in the world. Even such a powerful republic as Russia cannot manufacture everything itself.

[Kizilova] However, there should be priorities—the basic and main branches.... Transport—is the basis of the economy.

[Yefimov] We have a very serious situation with supplying food. That is why there will be no great advances connected with the global construction of plants during the next two-three years.

It is another matter that we are making arrangements with foreign firms to reconstruct a number of plants and increase production—approximately 1.5-fold at that same Tver.

[Kizilova] Does this mean that the installations, which are being built, will be frozen?

[Yefimov] What installations are you talking about?

[Kizilova] In particular, the Demikhovskiy Machine Building Plant where they plan to build rolling stock for electric trains.

[Yefimov] It is difficult for me to reply as yet.

[Kizilova] Regarding spare parts for Czech locomotives?

[Yefimov] This question is now being resolved and the development of indicator lists is taking place. It is assumed that the necessary hard currency will be allotted for Russia's railroad workers to purchase these spare parts. We will purchase them; there is no other way out. The amount is still inadequate; perhaps, they will manage to increase it—the question is how much will we be able to earn next year....

[Kizilova] A common customs regime is being introduced on the borders of the Baltic countries. What does this mean for rail transport? How is Russia's Ministry of Transport preparing for this? Will the existing Ministry of Railways armed security system be maintained on the borders with the republics?

[Yefimov] Generally speaking, it is not Russia's Ministry of Transport but the Ministry of Railways that should work on this since its leadership is categorically opposed to the department's establishment. A department is required here in order to regulate these matters.

During the meeting of the republics' ministers of transport, we agreed that customs should be liberalized as much as possible up to and including their removal.

If one is talking about transport systems themselves, then, of course, it is necessary to remove all barriers. On the other hand, these republics are now foreign states and customs conditions should be just as on any border.

[Kizilova] Where is the golden mean?

[Yefimov] If we are able to establish a common economic space, there will be an appropriate approach. If some republic isolates itself from this space, the principles for international transport operations are acceptable.

I think that a common economic space is necessary. The government of Russia, which has still not declared its separation, is in favor of this. The economics themselves are a different matter. Each ruble Russia earns should go to the needs of Russian citizens. If we borrow from another republic (or, the reverse, they borrow from us), the debt should naturally be repaid.

[Kizilova] Republic departments of transport are being established. How will they interact? What is the ideal for this cooperation?

[Yefimov] The principle for forming these structures is world experience. The transport departments should engage only in state functions: This means the preparation of laws and the formation of economic policy, norm bases, tariffs, investments, and subsidies. The Ministry of Railways and owners will engage in economic tasks.

When Russia invests its subsidies, this is only for Russian railroads. The income, which Russian railroads earn, will only be invested in Russian affairs.

The joint carrying out of some construction project or joint investment of assets are only done on a contract basis between republics.

[Kizilova] In September at a selective meeting in the Ministry of Railways, you talked about the need for preserving the existing Ministry of Railways structure (even during the transition period) and a simultaneous movement toward a market. Is it possible to combine these? Is a transition to a market possible while maintaining a state monopoly on the setting of tariffs?

[Yefimov] Tariff policy is an important state system. I posed this question during a meeting of the RSFSR Council of Ministers and MEK [Inter-republic Economic Committee]. A decree was prepared, one of whose points was to develop by 15 December a Tariff policy for next year in connection with the liberalization of prices. Appropriate proposals are now being prepared. I think this policy should be based on world experience. When we talk about monopoly types of transport activity, the state keeps the tariffs. In the other cases, tariffs can be "let go." Passenger traffic is subsidized throughout the world.

[Kizilova] At the expense of the state?

[Yefimov] Not only. There can be subsidies from regional budgets. Why should shipments within an oblast be subsidized from the state budget? However, inter-regional (inter-oblast)—here, a state subsidy is probably needed.

[Kizilova] How will this be reflected in the cost of tickets?

[Yefimov] It is necessary to protect the passenger. There are two approaches when doing this: either limit the price of a ticket or, having freed it, pay the citizen a special-purpose monthly compensation personally.

[Kizilova] As I understand, an increase in tariffs is unavoidable?

[Yefimov] I think it is.

[Kizilova] The question is how—totally or partially in a differently shaded manner?

[Yefimov] One must examine everything here. Specialists are now engaged in this. We will look at how many assets are required in order to keep the price of a ticket at the existing level. You see, this does not concern only rail shipments. We receive subsidies amounting to a billion rubles for bus transport alone in the cities. A subsidy is also going to Aeroflot and river workers. That is why we will look at the budget and evaluate its possibilities.

[Kizilova] Inflationary processes are strengthening. How is Russia's Ministry of Transport preparing for this? What social and economic measures are being proposed to smooth the path for branch workers? Are the branch health care and educational systems being maintained?

[Yefimov] I will first answer the second part of the question. Yes, the branch systems for health care and the training of personnel should be maintained. In Russia, we are trying to establish funds for the expansion of aviation and the maritime fleet. The workers in these types of transportation support the suggestion of deducting, for example, one kopek from a ruble of income to maintain the educational system.

Now, concerning protection against inflation. Russia has adopted a law on indexing. Limitations on the growth of wages are being removed—the enterprise itself, and not the state, are establishing them. You will not think up other measures here.

[Kizilova] What specific privileges are not being contemplated?

[Yefimov] I think that those social blessings, which have been procured in Russia for transport workers during the last two years, are still the limit of the possible. The amounts of pensions and wages have been increased. I do not see money in the treasury to give other benefits. Only the collective itself can earn assets for this.

We already have large state subunits which have been privatized and which are earning decent money. It is assumed that this will also occur on the railroad.

[Kizilova] Can you give a specific example?

[Yefimov] Yes. There are the plans regarding railroad enterprises on the Far Eastern Railroad. It is necessary to rethink everything there—the economic and legal aspects. You see, this is connected with the dispatch of freight abroad by sea; this affects the export and import potential. If this makes good sense, why not.

[Kizilova] The energy crisis is growing. If it reaches a critical point, how will the republic's railroads operate? Will a common power supply system be kept? What special measures is it planned to adopt if it is messed up?

[Yefimov] The entire power system is still a common one and nothing should change during the winter season. They understand this in all the sovereign republics. Concerning Russia, it is preparing a number of systems which could be closed for the region.

If we are talking about a fuel famine, we have achieved a positive solution in MEK: When allocations for energy are reduced for all industrial enterprises, it will be kept at the 95-percent level for railroads.

The situation is more complicated for other types of transport, in particular, truck transport. We are trying to completely supply fuel for passenger traffic in motor transport.

Aviators, who work using kerosene, will have fewer problems. The situation is a complicated one for light aviation, which operates on gasoline, and it will not improve this year.

[Kizilova] What is the ministry doing to restore a stable nature to the operation of transport lines?

[Yefimov] An agreement on supplying food was signed two weeks ago between the republics. There is a point in it which provides for compensations for losses caused by disruption of freight traffic and the blocking of transport arteries. Enormous fines, which take into consideration the cost of the delayed products, will be imposed on the guilty parties.

An agreement between the republics is required, in accordance with which, for each republic that severs the access of railcars or blocks other transport systems, there would be a veto on deliveries to its regions and, at the same time, compensation for the loss would be levied. Then, blockages would immediately cease. The Ministry of Railways still occupies, I would say, a polite position with respect to such an agreement, relying on the old systems.

[Kizilova] Russia's misfortune is the poorly developed highway system. What are the prospects for its expansion and the republic's motorization?

[Yefimov] Indeed, Russia's roads are its misfortune. That is why the Supreme Soviet recently adopted a decree on establishing an off-budget fund for road construction. It will not depend on the Ministry of Finance or even on Russia's government. Only the Supreme Soviet has the right to withdraw assets from this fund. However, I think that it will not allow this. The U. S. president once tried to take money from such a fund for the war in Vietnam—Congress did not permit him.

The highway fund will consist of a minimum of 17 billion rubles. We need 25 billion and that is why we are now working with the Ministry of Finance to add two-three billion. In addition, there is the money planned in the Russian Village Program (5 billion) which will also go to road construction. We have received such enormous capabilities for the first time and we hope to use them beneficially.

[Kizilova] Is the program for constructing highways in Russia's central rayons being carried out?

[Yefimov] It is being carried out. True, its rates began to slow down this year because Russia's Ministry of Finance did not find sufficient assets.

This program was previously financed by the union budget. The established highway fund will permit the implementation of this program to be enlivened.

[Kizilova] There is no transport-wide periodical publication in the country and motor vehicle personnel do not have their own newspaper. GUDOK is ready to offer its pages for illuminating motor transport's activity. What do you think about the possibility of cooperating with GUDOK's editors?

[Yefimov] We in fact do not have such a periodical publication. We are proposing to create a column in

GUDOK, for example, "Russia's Ministry of Transport." I think that such broad information, which is interesting to Russia, would permit GUDOK's circulation to be increased—and not only in Russia. You see, the laws and decrees we are preparing have importance for the other republics also. We are prepared to give this material to the editorial board continuously.

[Kizilova] Thank you. We will hope that today's interview has been the start of this.

### **New Karelian Railway To Link Russian, Finnish Lines**

*OW1811103591 Moscow Central Television First Program and Orbita Networks in Russian 2000 GMT 10 Nov 91*

[Report by B. Ternoushko from the "Utro" program—recorded]

[Text] The first news item is on the construction of the Trans-European Railway line in Karelia. The Tsenstroy-mekhanizatsiya Trust has started laying tracks from the Ledmozero settlement to Kochkoma Station, which will give access to a bountiful subpolar storehouse. [video shows aerial views of the area and the rail right-of-way, specialists examining a map in an aircraft, then cuts to show an Aeroflot Mi-8 helicopter on a pad in a railway clearing]

For the first time in the country, the rail line is being built and utilized on a commercial basis. From the outset, shareholders of the Geliflin joint stock association have organized to resolve all problems on site, as well as in an integrated way. After all, the new railway will join the existing railway networks of Russia and Finland by the shortest possible route and, in effect, will become a new window into Europe. [video shows an aerodrome with several single-engined passenger biplanes, An-28 aircraft]

There is business-like activity on the railway, but what is happening at the airfield, you can see for yourselves. The aircraft are laid-up during good flying weather. Some have no fuel, others have no engines or lack spare parts. It is not hard to understand what this means to the passengers. There are parts of Karelia that are accessible only by aircraft. Hoping for better times, the aviators themselves are involved with gaining independence and government market reforms. Meanwhile, in their stead, there is the Aeroflot monopoly.

### **Yamal Area Rail Development Scored**

*924A0286A Moscow GUDOK in Russian 28 Nov 91 p 2*

[Interview with Yu. Korotnev, chief engineer of the Northern Railroad, by V. Khovrin, GUDOK correspondent: "A Route to the Storehouses of Yamal: A Prediction for Tomorrow"; Yaroslavl]

[Text] GUDOK has repeatedly addressed the subject of the industrial development of the Yamal Peninsula in its publications. We know that unique deposits of natural gas, comparable with Urengoy and Yamburg, have been prospected here. For some five or six years there were plans to open up the storehouses of "blue fuel" in the shortest possible time. This year, Yamal gas should have been a sizable supplement to the country's fuel reserves.

This did not happen, however. The "End of the Earth" (this is the way Yamal is translated from the Nenetskiy language), where the virgin tundra, with its rich covering of reindeer moss, has fed one-third of the sovkhos reindeer herd in the Yamal-Nenets National Okrug, was and remains very susceptible to injury in the ecological respect. Although the departments have tried in every way possible to create the opinion that past mistakes, ruinous for the fragile northern nature, have been taken into consideration and the development of the peninsula's deposits will be an academy of advanced experience, in fact, the land has already been inflicted with considerable casualties. Widescale construction has also brought about serious social difficulties.

Two years ago, the USSR Council of Ministers decided to wait a while to develop gas-extracting complexes at Yamal. The Yamalo-Nenets okrispolkom stopped the build-up around the new deposits. Work also flagged on construction of the Obskaya-Bovanenkovo railroad mainline, the northernmost one in the European region, which was to connect the Bovanenkovo gas condensate deposit with the mainland. As a result, the fate of the Chum-Labytnangi railroad, the starting point of the spur track to Yamal, was once again hazy.

What is happening about the mainline now, what are the predictions for its "coming" to the Arctic peninsula? Our correspondent asked Yu. Korotnev, chief engineer of the Northern Railroad, to shed light on the problem.

[Khovrin] Yuriy Sergeyevich, from your point of view, is there any practical sense in developing a railroad network under the extreme conditions of the Far North, when the conclusion was recently drawn that a person cannot lead a normal life, as we see it, in the local regions, but will have to fight for survival?

[Korotnev] People have made it habitable and will continue to do so. The Arctic. They come here not only for the exotic, the romantic, but also to get to know the unknown. To begin with, national economic interests compel the country to build up the North. New reserves of coal, oil, gas, minerals and precious metals are needed for our daily bread.... In the densely populated regions they are either running low, since we have used them up so wastefully, or there are none at all.

The Far North is now literally the salvation of the Russian Federation, and can become the republic's major raw material base. There is simply no other choice. In my opinion, the oil and gas storehouses of Yamal, and in the future, the Arctic Ocean shelf, will have to be developed.

The Northern Railroad is in this sense a unique form of transport. We recall with fear and trembling at what price the roads to Vorkuta and Labytnangi were given to the nation, and how many of our fellow countrymen's lives were lost at these gulag-like construction sites. Here, more than one monument should be erected.

It is because of the mainline that the region has come to life, however. The railroad is in a position to deliver millions of tons of freight in both directions. Moreover, when the tundra stretches to the horizon—this shaky ecosystem—the steel mainline is a sufficiently pure form of transportation in the ecological respect, as they say, in its favor.

[Khovrin] Obviously, considering these advantages, the decision was also made to extend the northern route almost to the coast of the Karsk Sea?

[Korotnev] If a new deposit was developed, this is the way things would usually have looked before: first the geologists would go there, and then—the construction workers, the operations men and lastly, the railroads would be laid. The construction organizations acted without coordination, and each one covered the tundra with furrows, at its own sweet will. The land suffered incurable injury from this.

On the Yamal, however, as far as I know, they have tried to renounce the old, wanton systems. First of all, 540 kilometers of track, from the existing Chum-Labytnangi railroad, were laid at outstripping rates. The designers and builders of Mintransstroy chose the Obskaya Station as a base, and the Bovanenkovo Station, far in the north, was to be the terminal. In the future there are plans to go as far as Kharasaveya—this is the coast of the Karsk Sea.

There is no particular doubt about the engineering approach. The mainline should take on the entire basic freight flow—millions of tons of equipment, building structures, technical devices, materials and foodstuffs. How will the crews of gas field workers and construction workers get there? By air? Weather forbids it 170 days of the year. The motor vehicle roads in the local areas are unsuitable. One way remains—the railroad. It is both economically and ecologically justifiable. The problem lies elsewhere: to keep the gas field workers, as purchasers, and the contracting organizations from deviating one step from the plan, and to have them put up the environmental protection and social-production facilities at outstripping rates.

[Khovrin] We are increasingly talking about the past and the future. Right now, it would appear, the matter has come to a standstill? The technical-economic substantiation of construction, I heard, did not pass the expert examination?

[Korotnev] This year, specialists from the Administration of the Northern and Vorkuta Division met repeatedly with representatives of the board of Yamalgazprom, the Nadymgazprom and Yamaltransstroy associations and the Lengiprotrans Institute. The minutes of the two



conferences at the Obskaya Station and in the former Leningrad were compiled. The fate of both the future railroad and the existing one worried us, as operations men. Well, then we received official assurance that the period for various agreements had passed. The items were corrected. The construction workers immediately gave the Vorkuta Division a requisition for 1 million tons of freight for the following year. To all appearances, the second round of Yamal development is beginning. The laying of the Obskaya-Bovanenkovo mainline continues, and work is now in progress on the Obskaya-Payuta section.

[Khovrin] Then just what worries you?

[Korotnev] There are many reasons. When the economy of the country and of Russia is falling apart at the seams, it would be a sin to raise the question of any large capital investments, serious renovation and re-equipping. Circumstances require it, though. The advance to Yamal should be considered to be in the complex. In 1991, the ministries of Transport Construction took on the job of utilizing something like 100 million rubles [R], and in a year this figure will double. The freight flow, naturally, will greatly increase. Several tens of thousands of tons of sand-gravel mixture alone will have to be transported, to fill in the roadbed of the new mainline.

Let us look, however, at the potentials of the Vorkuta railroad workers. Are they in a position to deliver this volume of freight? In its time, the Chum-Labytnangi line was built as a temporary construction. The technical characteristics incorporated in it therefore corresponded to this. Here, there are still R-50 rails, there is no automatic block signal system, there is a poor roadbed, small radius curves and low speeds. The line has been moth-balled for the last two years, and the Vorkuta Division loses R12 million yearly. People are leaving there.

The railroad and the division have tried, at least in some way, to keep the spur track in operating condition. We shift the rails and have extended the tracks at the Yeletskaya, Khorota and Polyarnyy Ural stations. We are building sewage treatment plants, a water intake and an apartment house at the Yeletskaya Station, and secondly, as work in progress, we are beginning to build a kindergarten. These are just drops in the bucket, for the time being, however. Let us say, they have allotted us R2.5 million this year for development of the line's social sphere, but by modest estimates, almost R9 million are needed. If you take it on a major scale, the cost of rebuilding this railroad according to the plan is R114 million.

In addition, the Title List for the new Obskaya-Bovanenkovo line contains important facilities such as a locomotive depot, the Obskaya Station, a combined production building for railcar workers, track workers and communications workers and apartment houses for the families of the railroad workers. All of this looks very pretty on paper, but in reality—not a peg has yet been

driven in. The problem of diesel locomotive repair is becoming acute. There is one way out—to set up a TR-3 shop at the Pechora locomotive depot.

When the Yamburg deposit was built up, the railroad to Labytnangi, with great efforts, still passed through surges of freight. Now the situation is doubly critical. The road just barely manages to bear the present flow, but it is expected that the flow will double or triple. There is imminent danger of halting construction. BAM and KATEK have already given the construction and railroad workers a lesson in the way freight can literally overwhelm a line.

In order to avoid congestion, this situation must be quickly rectified: the MPS must urgently demothball the Chum-Labytnangi line, so that all the concerned departments can begin its comprehensive rebuilding and re-examine the mainline under construction and the existing mainline, as a unified transport system. The need has grown urgent on the Vorkuta Division to create a special subdivision, which would deal only with this critical railroad.

[Khovrin] Your arguments merit attention. Will it not turn out, however, that once again, in pursuit of utilizing large capital investments, for the dream of leaving behind him "industrial giants", man himself and the social needs of the region will find themselves on the last line of these plans? After all, the Far North has seen enough of "favorites" and it takes a long time for it to undo their deeds.

[Korotnev] Our position is unequivocal. Half of all the capital investments should go toward building up the social sphere. It is not necessary to erect multi-story cities with a weak infrastructure here, but only to erect compact, comfortable settlements in order to satisfy to the maximum the needs of the indigenous population and those work crews that will devote part of their lives to working beyond the Arctic Circle. World practice has examples of creating, under these extreme conditions, ecologically pure industrial and housing complexes.

It should be the same way on the Yamal Peninsula and on the Arctic railroad mainline. It would be criminal not to take the same approach to the reindeer in the pasture and the special strip allocated to the railroad, and not to take measures to reclaim the land.

Those who are not indifferent to the fate of hoary Yamal will realize their responsibility for the development of this amazing region. Today, we do not have the right to make new mistakes.

### **Turkmen Railroad Formed**

924A0238A Moscow GUDOK in Russian 16 Nov 91 p 1

[Report by unidentified GUDOK correspondent: "Division of the Central Asian Railroad Has Begun"]



[Text] On 5 November, the USSR Committee for Day-to-Day Administration of the National Economy approved a decree to organize the Turkmen Railroad on the basis of the Ashkhabad Division and most of the Chardzhou Division of the Central Asian Railroad.

Beginning on 15 November, the 33d railroad is to make its appearance on the MPS [Ministry of Railways] system chart. In other words, the effort by leaders of Turkmenia to shape the sovereignty of their republic by having their own railroad is nearing realization.

A GUDOK correspondent asked managers of the Central Asian Railroad to comment on this.

"The decision has already been made," said O. Noskov, deputy chief of the railroad, "and it is up to us to implement it, although it is not very easy. New organizational structures have never appeared in the ministry before a year has ended. This makes it impossible to organize accounting, planning, and inspection properly. This can be done only at the beginning of the following year without violating the rules for managing the complex railroad system. The 15 November date attests to the lack of competence of those who prepared the decree."

The question of defining the boundaries of the Central Asian and Turkmen railroads is leading to a great number of problems as well. On the spur line from Chardzhou to Beyney, which is to cross over to the new railroad, there are detached sections which pass through Uzbekistan, not the territory of Turkmenia. The same applies to the Termez-Karshi spur line. It now belongs to the Dushanbe Division, but a large part of it passes through Turkmenia. It is unclear at present how such disputed sections are to be maintained. Negotiations are now under way. So the territorial basis on which the new railroad is being organized has negative aspects, too. After all, infringement of the interests of two sovereign republics—Uzbekistan and Tajikistan—cannot be permitted.

The success achieved by the Central Asian Railroad over the past six years is directly related to the divisions' consolidation by eliminating the organizational structures that were of little use and extending maintenance coverage. And now the process is in reverse. A unified, well organized mechanism is being divided into parts. Where will this lead? It is not hard to predict the economic problems for a new railroad which will have practically no transit operations.

#### **Ukrainian Railroad Structure Examined**

92A0238C Moscow GUDOK in Russian 16 Nov 91 p 2

[Article by GUDOK correspondent S. Zhuzhgin: "An Association, a Corporation, or the MPS [Ministry of Railways]?"]

[Text] A conference of railroad managers in the Ukraine—from the Donetsk, Lvov, Odessa, Dnepr,

Southwestern, and Southern railroads, as well as representatives of the Transportation Department of the republic's Cabinet of Ministers, was held in Kiev at the end of October. The mainline commanders were asked to consider drafts of a charter for the railroad, a founding agreement, and the charter and structure of the staff of a railroad transport corporation. In addition, to consider organizational steps to prepare and conduct a founding conference to be held in Kiev on 24 November.

Such a sharp turn in the fate of the six railroads was hardly unexpected. GUDOK has repeatedly referred to the gradual evolution of this process and has actually tracked it from its very inception. In Kiev in September last year, it was planned to establish a railroad association which would become a coordinator, and work in this direction gathered momentum. Then one of the actions taken by the republic parliament to reinforce Ukrainian sovereignty following the attempted coup was to nationalize all property of the former Union in Ukrainian territory.

The mainline commanders had no choice and were forced to make deliberately risky and sometimes unpredictable decisions which had a bright political tinge and did little to take the economy and technological characteristics of transport into account. This time, as in the past, the opinion of specialists and professionals was not taken into consideration either in the Ukraine's parliament or government, and it looks as if this kind of destructive approach is becoming a tradition.

Here is a specific example. Willfully and practically without any study and economic analysis, and frankly, just to reassure people, the Cabinet of Ministers made the decision to reduce the rates for suburban passenger service by half. The measure came into force on 1 October. There are 37 railroad divisions in the Ukraine. In just one of them, the Dnepropetrovsk Division, there are 30 electric trains in operation, none of which are not liable to be written off. It is clear that the trains are not profitable when their service lives have been used up. Every year the expenses to the division to operate them add up to 25 million rubles [R]. Before the rates were lowered, the total income from suburban service amounted to just R10 million, not even half the amount needed to cover the expenses. Now it will amount to R5 million. So the Dnepropetrovsk Division will pay R5 million out of its own pocket for the government's charity, for there are no other sources of income. The entire Dnepr Railroad, which has four divisions, has been forced to bear losses amounting to R45 million. And it is not considered possible to reduce the outlays to operate electric trains today, since the cost of one new electric unit is R5.5 million, and there is nowhere to obtain it.

These figures show only one of the cases of incompetent interference in railroad activity. But what awaits the railroads later on, as soon as they have to exist out of touch with the common transportation system? The view prevailing in the republic's government circles is

common knowledge. As already reported, it is to establish a railroad corporation, that is, "a Ukrainian Ministry of Railways." But what do specialists and professionals think about this? I ask V. Podlinskyayev, chief engineer of the Dnepr Railroad:

"Through their service, railroad workers have the opportunity to assess the consequences of the steps taken in Kiev and they have a common opinion: separating the railroads from the system is to drive our state to the end. The very principle of isolating transportation is nonsense. They are coping with this successfully in Europe by seeking to make the transportation system for general use. The republics which signed a common agreement in Moscow have avoided a vast number of problems on their mainlines which the Ukrainian lines will face immediately if they separate from the Ministry of Railways."

As far as the idea of establishing a corporation is concerned, I consider it an artificial superstructure, a miniature copy of the existing Ministry of Railways. And it should be pointed out that none of the railroad commanders will trust a corporation. It is sufficient to mention that all the railroad chiefs refused to head it. Only the chief of the Southwestern Railroad, B. Oleynik, gave his consent, and even then it was on a voluntary basis, by reserving the post he holds for himself.

The corporation presumably will include all the Ukrainian railroads, the Luganskiy Locomotive Plant, and certain other enterprises and founder organizations. However, it is still unclear what rights each member of the corporation will delegate to it and to what extent. This is the question of questions. In general, there are many more questions than clear and unequivocal answers with respect to this idea. It is unclear, for example, how Kiev plans to divide the fleet of freight cars. Who will repair this rolling stock and incur the expenses to purchase new cars? After all, the fleet is practically unassigned today and is used freely within the entire system. Only with a method such as this, with the help of regulated disposition of empty cars, can the Ministry of Railways carry out major tasks by distributing the cars by regions. The same applies to the fleet of refrigerator cars.

We also must take into account that all the current data with which the ministry operates are relative and conditional, inasmuch as a little over 70 percent of the freight turnover includes trips within the Ukraine. Isolation of local lines may seem to be completely feasible, but the picture is altogether different with respect to the freight pattern. Thus, all the power-generating coal for thermal electric power stations and other large consumers comes to the Ukraine from the Kuzbass and Ekibastuz. And this large, consistent flow of freight should remain in any

event. Passenger trains travel over vast distances in the former Union. How do we set and maintain a common tariff policy here?

The drastic position of the Ukrainian Government has led to a watchful reaction in the ministry. Contracts are now being concluded to deliver vehicles, machinery, equipment, and other material and technical resources next year. Nothing is being done for the Ukrainian railroads at present. Moscow is biding its time by requiring that Kiev confirm the funds allocated for these purposes, including the foreign exchange. But inasmuch as there is little money in the republic's budget and it has no foreign currency at all, the material and technical base of the Ukrainian mainlines for next year has already been thoroughly undermined.

To our great regret, no one in Kiev has listened to these considerations thus far. By disregarding economic calculations to oblige the political decisions, the authorities are dooming the republic to a situation in which spontaneous and uncontrollable processes may begin in its railroad operations.

In this regard, we may assume that the conference set for 24 November without sufficient discussion of the drafts of documents in the collectives runs the risk of turning into a Novgorod veche [ancient assembly], and its consequences are difficult to predict. It is entirely possible that the separatist attitudes of individual chiefs of the divisions which are already refusing to obey a railroad administration will predominate at the conference.

I see the explanation for what is taking place in Ukrainian railroad operations in the republic's extreme dissatisfaction with the Ministry of Railways' activity in its territory. And this is not without foundation. A great deal really needs to be changed in the sector. As an example, a sensation out of departmental statistics: an average ton of freight is carried 950 kilometers in the system... This is the result of an absurd stratagem in the national economic ties which have taken shape, the effort by railroad workers to increase the indicator of ton-kilometers in their work. But is there any hint that this paradox will be eliminated by isolating the six railroads? No, and there cannot be, since the railroads have to follow one of three routes, which are too expensive for any single republic, at the same time. The first one is to be financed through the state budget by forfeiting the wish to earn funds independently for its self-support by methods that are harmful to the national economy. The second way is to make extensive use of market levers by selling transportation services at the highest possible price. The third way is to introduce flexible transportation tariffs which ensure profitability under inflationary conditions and collapse of the system of centralized material and technical supply. At this time, the Ukraine is unable to bear loads such as this alone.